



Business and Investment Strategies of Micro Enterprises in Disaster Affected Areas of Gujarat, India

Nadezhda Sliwa

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Photo: A producer of lime-tobacco plastic tubes at her home and production site in a slum of Ahmedabad. N. Sliwa

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Executive Summary

Background. Micro entrepreneurs of the informal sector constitute 90% of the Indian workforce. They face challenges that demand a high level of risk taking behavior. Among them are financial constraints, lack of access to credit, formal financial institutions and professional advice, dependence on personal networks, susceptibility to external shocks and disasters as well as slow response systems. At the same time, the potential of the micro enterprise sector is huge, both from a macroeconomic perspective of economic growth and from a microeconomic perspective of the households that may achieve upward social mobility through secured livelihood.

Objective of the study. This study puts micro entrepreneurs of the informal sector in disaster affected areas of Gujarat, India, at the center, by looking at their business and investment strategies and comparing a group organized in a business association giving financial assistance to a control group without assistance. Key questions are:

- How do micro enterprises manage their businesses?
- How do they handle credit, savings and investment? What are their priorities of investment?
- How do micro enterprises overcome and adapt to disasters/external shocks?
- What factors define success or failure of micro enterprises?
- How does the membership in a business organization influence business, credit, and savings practices?
- How does this compare with the practices of micro enterprises not organized in a similar way?

Relevance of the study. This study addresses the conditions under which 90% of the Indian workforce operates. It analyses the problems, strategies and adaptive capacities of micro enterprises. It searches for answers to the greatest hindrances of improvements in the micro enterprise sector and its greatest needs. The analyses of the micro entrepreneurs with respect to their business, investment, savings, livelihood security and survival strategies can teach lessons that can be transferred and adapted to contexts of other developing countries where the unorganized micro sector needs to be strengthened as well. The findings also indicate areas of change for development work in the future.

Area of study, data and methodology. The study combining both quantitative and qualitative analyses focused on micro entrepreneurs in the following four districts of the state of Gujarat, India: Ahmedabad and Sabar Kantha (riot affected communities), Kutch (earthquake and flood affected communities) and Patan (drought and flood affected communities). For the quantitative empirical analyses, the study used a random sample of both CCISB beneficiaries (204 in-

interviewees) and non-beneficiaries (104 interviewees) serving as a control group. The selected case studies served to complement the quantitative empirical analysis, taking 10 case studies from the four different disaster affected areas of the social science survey, reflecting about 3% of the total sample. The case studies comprised CCISB beneficiaries and non-beneficiaries, Muslim and Hindu families, female and male interviewees between 24 to 65 years of age.

Results

Gender aspects of rural poverty. Not only do women and men handle finances differently, with women generally taking less credit, spending less on traditional social capital and taking more frugal business investments. Also, indicators of economic and financial vulnerability in rural areas such as high debts, smaller incomes and profits as well as disproportional spending behavior might be determined by the fact that these are traditionally male-dominated contexts where women do not have much say: they are mostly illiterate, generally do not contribute to the family income and often have no influence on the handling of finances in a household. Rural poverty, then, appears to be less marked by geographic location and conditions of income generation than by male behavioral patterns with respect to handling of finances, characterized by a more status-oriented handling of money despite scarce resources than seen among women. Thus, it is possible that the greater financial and economic vulnerability and higher underdevelopment seen in rural areas may at least partially be rooted in gender-discrimination. As some case studies demonstrated, empowerment with respect to finances and business matters could nurture innovation and development.

Social capital replaces financial capital and thus increases vulnerability. Within their constraints, micro entrepreneurs act rationally, taking specific decisions regarding finances and investments from a survival-thinking perspective. These individual decisions are *internal factors that can increase or decrease vulnerability* within the framework of the micro sector. The poor invest in their social capital – the only insurance and social security system they feel they have. Although the importance of social capital in contexts of state failure has been widely accepted, no study is known to have analyzed the specific amounts invested in social capital in the micro sector in India in relation to other investments made in the same household. This study shows, by analyzing in detail the amounts and purposes of household investments, that investing in social expenses in order to build up social capital goes to the detriment of financial capital and thus, increases vulnerability. The degree to which building of *social capital replaces financial capital* has not been recognized or studied in much detail to date. Looking at social capital in the context of India, and Gujarat in particular, sheds new light on the broader concept of social capital and its consequences on the financial balance of households at the micro level in developing countries. This conclusion could be made by analyzing cash flows of individual households of the micro sector, their major investments, priorities of investments and amounts invested, savings and purposes of savings in detail. The research pre-

sented here shows that micro entrepreneurs who are vulnerable because of structural patterns out of reach of their own sphere of influence (disaster impact, low incomes) increase their vulnerability through individual financial choices and priorities of investment related to social expenses. This is an aspect that appears to not have been discussed in the widely accepted theory of social capital to date.

Bridging financial and social capital. If social capital is built up to the detriment of financial capital, that is when high social expenses strengthening personal relationships use up savings or increase the need for taking loans, then long-term business development may be adversely affected. The focus must be on strengthening financial capital and building up social capital, so that social capital concerns of a household no longer need to replace and cost financial capital, thus aggravating poverty. Therefore, development work with respect to micro enterprises should concentrate on strengthening ties with business associations which offer assistance that directly translates into financial capacity and means: through savings, access to credit/microfinance and financial training. In other words: social and financial capital should increase mutually, without social replacing the financial capital.

Savings and financial literacy are key factors of success. Both at the individual and the business level, a key factor of success is to have own resources, and these are created through savings, no matter how small the amounts are. *Saving money is an attitude*, enabling savers to become independent of credit needs and exploitative credit conditions, thereby contributing to increasing personal potential. However, as the research presented here outlines, the question is what savings are used for – long-term productive investments (child education, disaster risk reduction, business-related investments) or short-term social expenses? This is where financial literacy plays an important role. Several case studies illustrated that a disciplined and wise, long-term productive use of scarce resources is possible despite lack of formal education.

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Acronyms

AIDMI	All India Disaster Mitigation Institute
ASAG	Ahmedabad Study Action Group
BJP	Bharatiya Janata Party
BPL	Below Poverty Line
CCISB	Chamber of Commerce for Industry and Small Scale Businesses
DRDA	District Rural Development Agency
ICLS	International Conference of Labor Statisticians
IGA	Income Generating Activities
ILO	International Labor Organization
JLGs	Joint Liability Groups
LRF	Livelihood Relief Fund
MFI	Microfinance Institutes
MSMED	Micro, Small and Medium Enterprises
NABARD	National Bank for Agriculture and Rural Development
NCEUS	The National Commission on Enterprises in the Unorganized Sector
NGO	Non-Governmental Organization
NMCP	National Manufacturing Competitiveness Program
NSIC	The National Small Industries Corporation Ltd
OBC	Other Backward Castes
SC	Scheduled Castes
SETU	The Centre for Social Knowledge and Action
SEWA	Self Employed Women's Association
SHG	Self-Help Groups
SIDO	The Small Industry Development Organization
SSI	Small-Scale Industries
ST	Scheduled Tribes
USP	Unique Selling Propositions

Part I – Introduction and conceptualization

1 Introduction – micro enterprises in India: problems and potentials

“The working poor are the backbone of every nation,
and yet they go hungry.” (ELA BHATT)

1.1 Background

Employment in India is characterized by three structural features:

- the dominance of the informal sector - more than 90% of India's labor force is constituted by workers of the informal, unorganized sector
- employment growth linked in general to growing number of jobs in the informal sector
- the dominance of self-employment in the informal sector. The majority of self-employed run micro enterprises either for producing goods or rendering services (NATIONAL COMMISSION FOR ENTERPRISES IN THE UNORGANIZED SECTOR 2008: 1, 10).

Micro enterprises are faced with many challenges: financial constraints, lack of access to credit and professional advice, dependence on personal networks, susceptibility to external shocks and disasters, lack of access to formal financial institutions, as well as slow response systems and inflexibility. As a result, micro enterprises demand a high level of risk taking behavior from an already vulnerable population segment (DEBROY & BHANDRI 2005: 7-8). The potential of the micro enterprise sector and micro entrepreneurs, however, is huge – both from a macroeconomic perspective of economic growth and a microeconomic perspective of the household for which micro enterprises offer the only means of livelihood and even upward social mobility.

The potentials of the micro enterprise sector for economic growth and development pertain to their

- contribution to the gross domestic product (GDP): micro, small and medium enterprises sector produce 50% of India's total manufactured exports and

comprise 95% of all industrial units in the country (Institute for Financial Management and Research 2006:1; www.ifmr.ac.in/pdf/msmedback.pdf)

- contribution to the export volume, hence again to the GDP (CHAKRABORTY 2005: 30)
- employment generation: because of low capital intensity and ease of entry into this sector for low or unskilled workers the potential for labor absorption into gainful employment is especially high
- high degree of entrepreneurship and innovation of micro enterprises: innovativeness and entrepreneurship are recognized factors of economic growth in highly developed countries. In contrast to the innovation-driven growth in high income countries which is related to high levels of professional qualification, innovativeness is not confined to the highly educated only but may also include lower echelons of society. Drawing upon their own innovative capacities, micro enterprises in India utilize a most valuable resource and talents of less educated people, who still make up the majority of society
- flexibility related to the informality of the sector: tacit and informal agreements as well as family involvement reduce costs and paper work. The major advantage of micro enterprises is that of rapid responses to temporary opportunities (BAJPAL 2005: 57-59), giving this entire sector potentially decisive comparative advantages, particularly once production follows international standards or market requirements.

The Government of India, through its constitution of a National Board for Micro, Small and Medium Enterprises under the 2006 Micro, Small and Medium Enterprises Development Act (MSMED Act) has recognized the potential of these micro enterprises. The Act led for the first time to the definition of micro enterprises in India (NATIONAL COMMISSION FOR ENTERPRISES IN THE UNORGANIZED SECTOR 2008:1; MINISTRY OF MICRO, SMALL AND MEDIUM ENTERPRISES IN INDIA. Annual Report 2006-2007, <http://msme.gov.in/ssi-ar-eng-200607.pdf>) (Tab.1.1).

Tab. 1.1 Definition of micro, small and medium enterprises in India

	Investment in plant and machinery/equipment, excluding land and building	
Type of enterprise	Manufacturing enterprise	Service enterprise
Micro enterprise	up to 2.5 Mio. Rs	up to 1 Mio. Rs
Small enterprise	from 2.5 Mio. to 50 Mio. Rs	from 1 Mio. to 20 Mio. Rs
Medium enterprise	from 50 Mio. to 100 Mio. Rs	from 20 Mio. to 50 Mio. Rs

Source: MINISTRY OF MICRO, SMALL AND MEDIUM ENTERPRISES IN INDIA: Annual Report 2006-2007: 9, <http://msme.gov.in/ssi-ar-eng-200607.pdf>

Organizing micro enterprises of the unorganized, informal sector, then, is seen as the first step towards building up capacities. This includes financial capacities of micro enterprises which are necessary to build up resilience in the face of repeated negative events, and ultimately, building up financial capacities to alleviate poverty. To what extent the organization of micro enterprises actually contributes to building up financial capacities is explored in more detail in this study.

1.2 Objective of the study

The objective of the study, thus, is to analyze business and investment strategies of micro enterprises in disaster affected areas of Gujarat, India, in two different contexts - as beneficiaries and non-beneficiaries of the Chamber of Commerce for Industry and Small Scale Businesses (CCISB). This is done in view of studying the socio-economic structures and factors preventing or enhancing development and resilience to negative events. The CCISB was set up by All India Disaster Mitigation Institute (AIDMI), a local NGO based in Ahmedabad, India and operates nation-wide. AIDMI is a community-based action research, action planning and action advocacy non-governmental organization. It works towards bridging the gap between policy, practice, and research related to disaster mitigation in an effort to link the community to the (inter) national level humanitarian scenario.

Key questions of this study are:

- How do micro enterprises manage their businesses?
- How do they handle credit, savings and investment?
- What are their priorities of investment?
- How do micro enterprises overcome and adapt to disasters/external shocks?
- What factors define success or failure of micro enterprises?
- How does membership of the Chamber of Commerce, Industry and Small Business (CCISB) help or influence business, credit, and savings practices?
- How does this compare with the practices of micro enterprises not organized in a similar way?

Empirically, these questions were explored as follows:

What is the structure of the unorganized micro enterprise sector?

Focus will be on:

- structure of the sample
- information on households of micro entrepreneurs
- business characteristics
- business ownership and mobility
- business expansion and contributors
- peak seasons

What are benefits of CCISB membership? Focus will be on:

- reasons for joining the organization
- advantages and disadvantages
- relationship with other micro entrepreneurs

How do micro enterprises manage their businesses, what constraints do they face, and what changes in business and investment practices were induced as a result of CCISB membership (if any)? Focus will be on:

- supply and sales practices
- handling of cash/credit/money circulation
- maximizing income, profits and savings
- priorities regarding loans and investments
- increases of profits

What other selected management factors affect success or failure of businesses and how does membership in a Chamber of Commerce for Small Scale Industries and Businesses relate to

- strength of/threats to the business
- unique selling propositions (USPs)
- expenses for/investment in quality for life
- business and personal success
- disaster impact, disaster risk reduction and adaptive capacity
- improvement of business as a result of CCISB membership

How do micro enterprises not organized in the CCISB compare to members of CCISB? Focus will be on:

- lessons to be learned from a survey of non-beneficiaries

What complementary perspectives have in-depth case studies to offer? Focus will be on:

- lessons to be learned from case studies

The main emphases of this study, then, were both on **business and investment strategies of micro enterprises in the informal sector** and **institution-building for the organization of micro enterprises sector** in India. The general approach follows a combination of quantitative and qualitative research methods. Analyses were based on: (1) a pilot survey of 308 micro enterprises in four different urban and rural disaster areas of Gujarat, India, representing both a subgroup of 204 micro enterprises organized in the CCISB, and a control group of 104 non-beneficiaries; (2) individual case studies, and (3) expert interviews with representatives of governmental, non-governmental and international organiza-

tions. For the pilot survey, a random sample was taken of the registered members of the CCISB. These members belong to those micro enterprises which had been recipients of the Livelihood Relief Fund (LRF) set up by AIDMI, following a disaster which heavily impacted their means of existence. The control group consisted of micro entrepreneurs that had also been affected by the disaster, but they were neither members of the CCISB nor had they received assistance from any other NGO or institution. This allowed conclusions to be drawn on the impact an NGO like the CCISB can make.

The pilot survey of the 308 micro enterprises was carried out in September and October 2008 in slum communities of different disaster-affected areas of Gujarat. The communities surveyed included:

- earthquake affected areas (Bhuj)
- drought affected areas (Patan)
- flood affected areas (Bhuj)
- areas affected by a community riot (man-made disaster) (Ahmedabad and Sabar Kantha)

The research project is part of an ongoing cooperation between the University of Basel, Switzerland and All India Disaster Mitigation Institute that began in 2004. This research was funded by grants from the Commission for Research Partnerships with Developing Countries of the Swiss Academy of Sciences and the Swiss Development Corporation, research funds from the University of Basel, Switzerland and the Freiwillige Akademische Gesellschaft of Basel.

1.3

Relevance of the approach and the study

The approach chosen for this study is a bottom-up, case study supported exploration of the research question. Attention is paid to the locals in the study area as they are seen to be “the main actors, learners and managers of the process of change” (CHAMBERS 2006: vii). As Tevoedjoré points out, poor people, even the illiterate, destitute and marginalized, are the “wealth of nations” (TEVOEDJORÉ 1978: xi) and must be regarded as a most important resource. This study addresses the conditions under which 90% of the Indian workforce operate and analyses the problems, strategies and adaptive capacities of the micro enterprises. It searches for answers to the greatest hindrances of improvements in the micro sector (livelihood, financial matters, social security) and the greatest needs. It is felt that these are questions that the micro entrepreneurs can answer best. The target group is thus given a voice in this study, a voice that needs to be heard, considering how many may be affected by what is said.

Similarly, emphasis is placed on the value of case studies for understanding complex processes and underlying issues that do not emerge from empirical

research alone. This study recognizes that complex problem areas do not have simple solutions. Further, it is felt that the case studies of the micro enterprise sector in India are not just individual cases, but that they can contribute towards drawing attention to relevant aspects that need to be taken into account in development efforts at a large scale.

The study itself is equally relevant for several reasons:

- The lessons learnt from poor business people at the margin of society can lead to an adaptation of development strategies to their specific needs and to the solution of structural problems of the micro sector – the largest economic sector of India – itself.
- Moreover, the analyses of the micro entrepreneurs with respect to their business, investment, savings, livelihood security and survival strategies will certainly not be unique to India and can therefore teach lessons that can be transferred and adapted to contexts of other developing countries where the unorganized micro sector needs to be strengthened as well.
- Furthermore, the reverse view of micro entrepreneurs on local NGOs efforts, such as organizing them into a Chamber of Industry and Small Businesses, could contribute towards
 - identifying aspects of NGO work in need of improvement
 - formulating approaches to evaluate non-governmental organizations (NGOs) on a regular basis
 - determining the need for the donor community to establish criteria for subsidizing NGOs and to monitoring fund distribution by the NGO
 - greater awareness of the most appropriate culture of information in order to make development work more efficient and effective for the stakeholders.

Although the importance of social capital in contexts of state failure has been widely accepted, no study is known to have analyzed the specific amounts invested in social capital in the micro sector in India in relation to other investments made in the same household. This study shows, by analyzing in detail the amounts and purposes of household investments, that investing in social expenses in order to build up social capital goes to the detriment of financial capital and thus, increases vulnerability.

1.4 Methodology and data

The study makes use of quantitative and qualitative methods of empirical social research in order to analyze business and investment strategies of micro enterprises in disaster affected areas of Gujarat, as to gain insight into prevalent socio-economic structures and factors preventing or enhancing development and resilience at the household level. For the **quantitative analyses**, the study and

its main focus were conceptualized in a research design that was submitted to the funding agencies in Switzerland and to the NGO that was to assist with the project. Two different standardized questionnaires were developed – one for the 204 members of CCISB (the so-called CCISB-beneficiaries), and one for the control group of 104 non-members (the so-called non-beneficiaries). For the data collection, random samples were taken from four different disaster affected districts of Gujarat. The questionnaires were pretested in different Indian communities and then revised. The data gained from a sample of a total of 308 interviews was entered into two different entrymasks (one for the questionnaire related to the beneficiaries, and one for the non-beneficiaries). Descriptive and inductive statistical analyses of the collected data were performed, utilizing the program SPSS 16.0. The most important findings are interpreted and presented in chapter 10.

The **qualitative analyses** comprised selected case studies from the disaster affected areas studied (embedded case studies, see 1.5), as well as interviews with experts from governmental, non-governmental and international organizations. For the case studies, the same questionnaires used for the quantitative data collection served as a basis for more detailed in-depth interviews and in-situ insights. For the expert interviews, the same set of relevant questions regarding cooperation in development work and different approaches of NGOs and governments was addressed to all of the experts. The objective was to compliment the overall picture obtained from the quantitative analysis, taking into account different expert perspectives. Results and findings from the case studies and expert interviews are summarized and discussed in overviews in chapters 4 and 10.

1.5 Case studies

Case studies are considered from a specified perspective and with a particular interest. They are empirical units that are subject to evaluation, due to scientific and practical interests. They are used for the purpose of demonstrating and learning, in education as well as in research. One can distinguish between holistic and embedded case studies. Holistic case studies are mainly part of qualitative research, relying on narrative structures, whereas embedded case studies involve more units of analyses, without being limited to qualitative analysis alone (SCHOLZ & TIETJE 2002: 1, 9).

In this study, the approach taken is that of embedded case studies as these best reflect the larger quantitative and qualitative empirical framework. The explorative nature of the case studies allowed insight into structural phenomena, eased interpretation of quantitative research results and shed more light on the behavior and strategies of micro entrepreneurs and micro enterprise households. The 10 selected case studies of the four disaster affected districts under study are presented in detail in chapter 4.

1.6 Structure of the study

The study comprises three main parts:

Part I – Introduction and conceptualization

Chap. 1 offers an **introduction of micro enterprises in India**, their problems and potentials and outlines the objective and rationale of the study. More specifically, the subparts provide general background information (1.1), highlight the objective and relevance of the study (1.2 and 1.3), outline methods and data sources (1.4), explain the use of case studies (1.5) and outline the subsequent chapters (1.6). **Chap. 2** provides the **conceptual and policy framework**, the perspective taken in this study (2.1), in particular with respect to micro enterprises in development and the organization of the informal sector (2.2), Income Generation Activities vs. microfinance (2.3), components of poverty alleviation (2.4), self-help groups (2.5) and government assistance to them (2.6). **Chap. 3** focuses on the **study areas** in the State of Gujarat: geographical characteristics (3.1), disaster impact (3.2) as well as pertinent economic, social and political aspects (3.3) that allow a better contextualization of the research focus. The Districts of Ahmedabad, Bhuj, Patan and Sabar Kantha are described in detail under 3.4, followed by portraits of self-help institutions in Gujarat (3.5), in particular SEWA, SETU and Aware Foundation (3.6) and the Chamber of Commerce, Industry and Small Businesses in 3.7.

Part II – Operationalization: qualitative and quantitative research

Chap. 4 presents **qualitative case studies of micro entrepreneurs** taken in the different disaster affected slum communities so as to give an insight into the reality of life and harsh living conditions the surveyed micro entrepreneurs face. Special attention is given to case studies of riot affected communities in Ahmedabad (4.1), earthquake and flood affected communities in Bhuj (4.2), flood and drought affected communities in Patan (4.3), and riot affected communities in Sabar Kantha (4.4). A résumé of findings concludes the chapter (4.5). **Chap. 5** specifies **data and methodology**, and explains the focus of the survey (5.1), the survey instruments (5.2), the sample size (5.3), data collection (5.4), expert interviews (5.5) and difficulties of the study (5.6). **Chaps. 6 to 9** deal with the quantitative analyses of CCISB members and non-members, respectively. As such, the chapters follow the structure of the questionnaires.

Chap. 6 analyzes **the structure of the micro enterprise sector and its constraints**. It gives an overview of the structure of the sample (6.1) and more detailed information on households and micro entrepreneurs (6.2), business characteristics, types and mobility (6.3-6.5) as well as ownership of the business (6.6) and CCISB membership with respective benefits (6.7). **Chap. 7** focuses on **business strategies: management of sales, purchases, income, credit, invest-**

ment and savings. It presents supply and sales practices (7.1), income, profits and savings (7.2), cash/credit/money circulation (7.3) and loans, investments, as well as increases of profit (7.4). **Chap. 8** deals with **selected management issues, factors of success and failure** as well as disaster impact and institutional organization. It outlines strength of/threats to the businesses (8.1), unique selling propositions (8.2), expenses for and investments in quality of life (8.3), business and personal success (8.4), disaster impact and disaster risk reduction (8.5), as well as institutional impact and the improvement of business practices (8.6). In analogy to the previous chapters, **chap. 9 compares business and investment strategies of the control group** with the CCISB member group.

Part III – Conclusions

Chap. 10 summarizes **the main findings from both the quantitative and the qualitative analyses.** It gives an overview of findings related to gender, caste, urban and rural areas as well as the districts under study (10.1), illustrates social versus financial capital (10.2), cycles of development (10.3), the observed impact of CCISB (10.4) and transferability of results (10.5). The chapter closes with main conclusions and avenues for further research (10.6) and also critically reflects upon the study's achievements and failures.

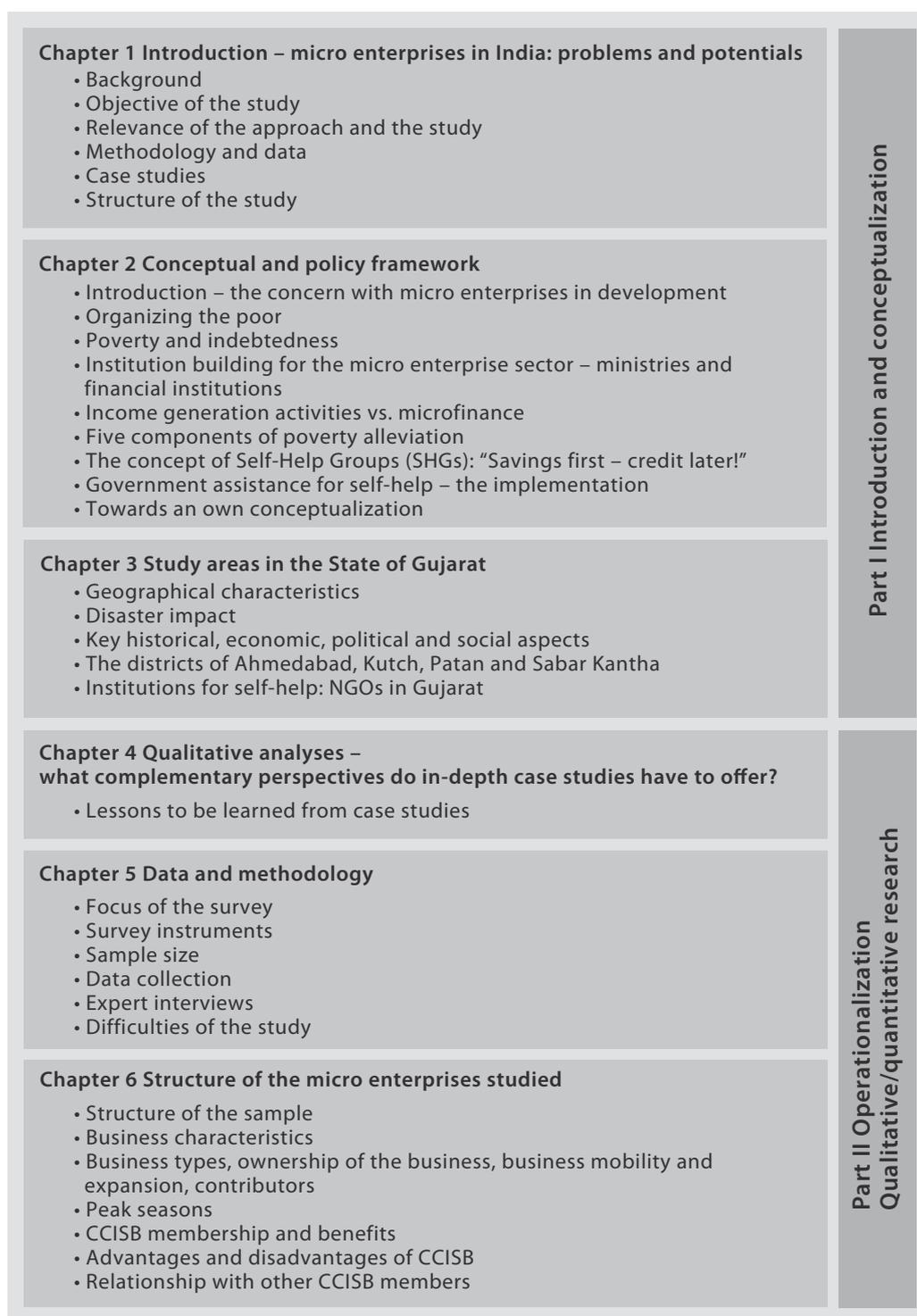


Fig. 1.1 Research Design: Flowchart showing structure and implementation of research

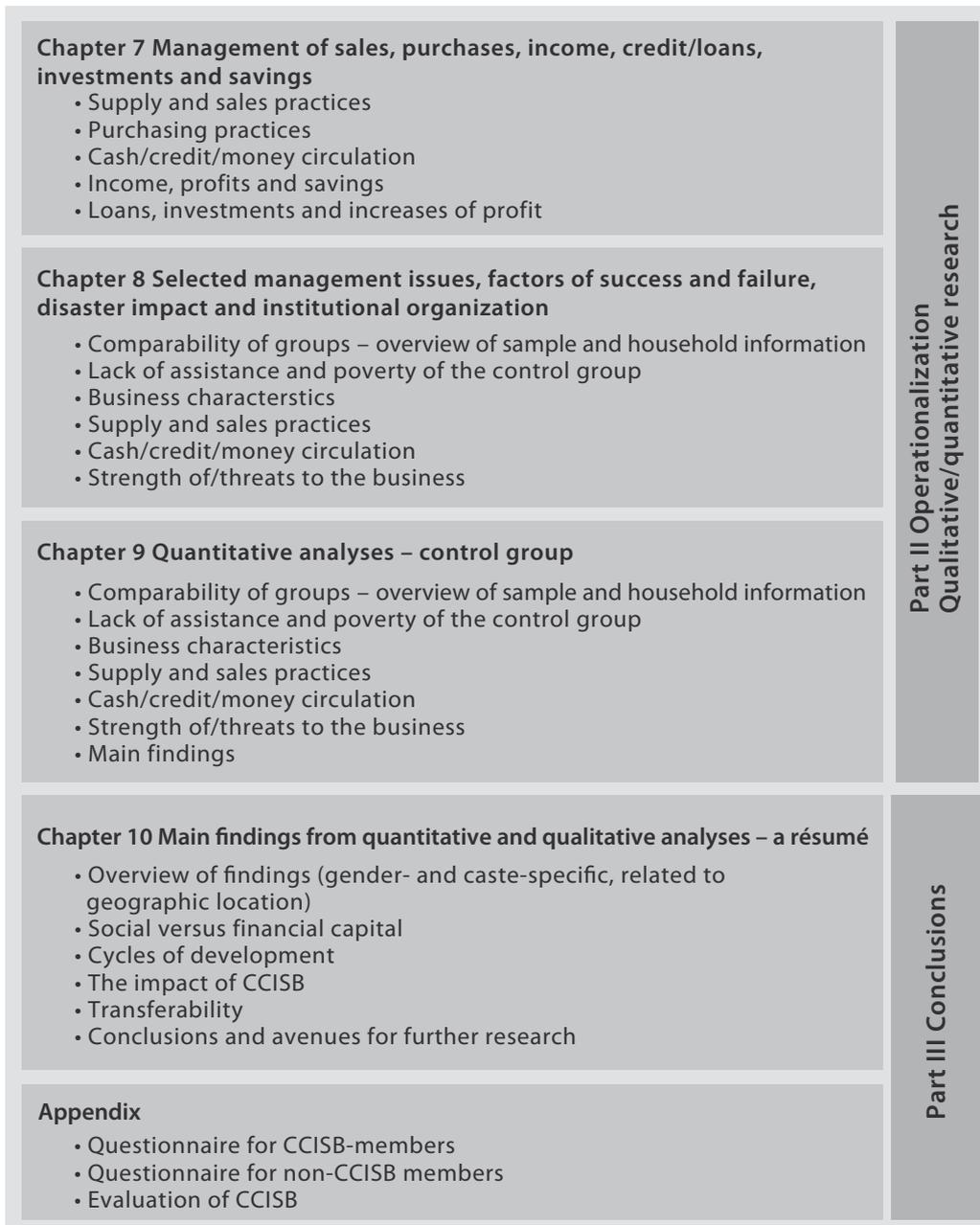


Fig. 1.1 Research Design: Flowchart showing structure and implementation of research (continued)
Source: Author's design

2 Conceptual and policy framework

“There is no development without self-reliance. But there is no route to self-reliance except by organisation.” (ELA BHATT 1984)

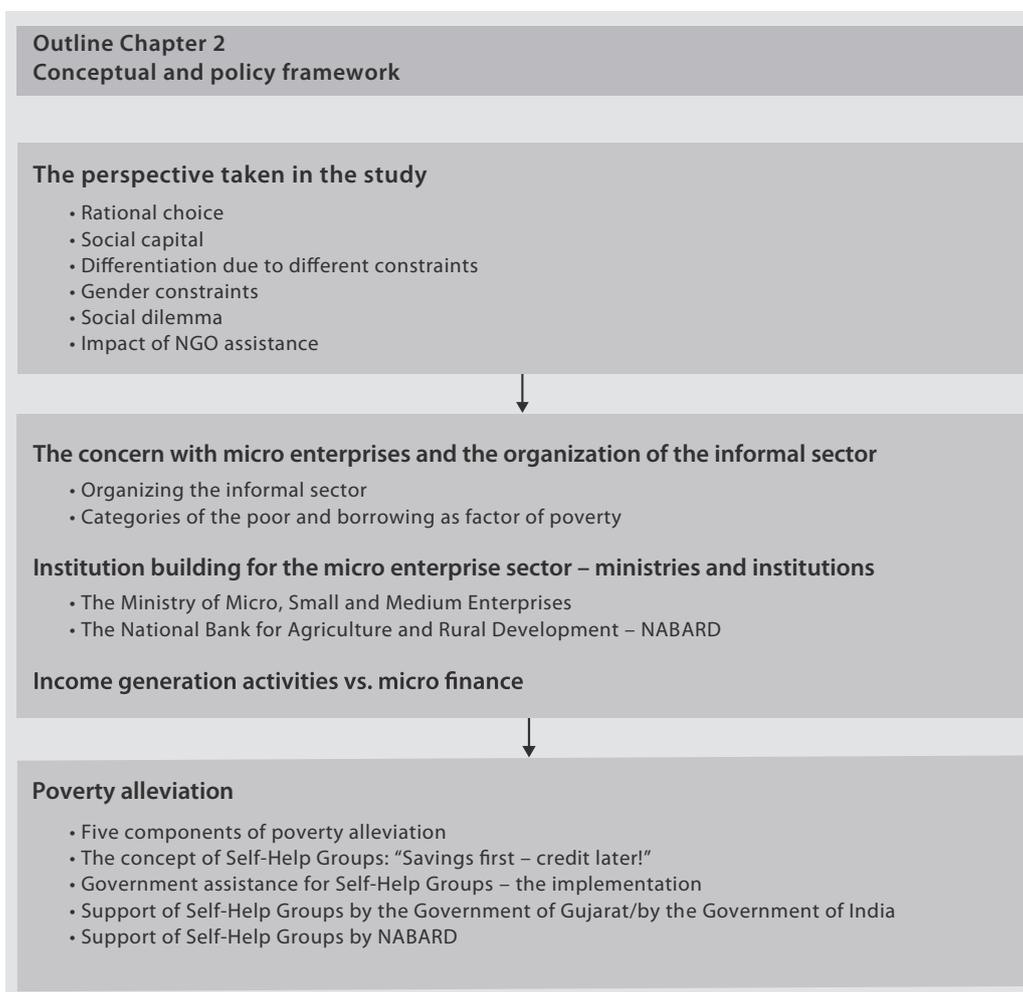


Fig. 2.1 Outline Chapter 2. Source: Author’s design

This chapter presents the approach taken in the research project with explanation of assumptions taken and reasons for particular foci. Further, it discusses in details the concepts underlying the research project and current national, local and NGO policy in India with regards to microcredit and finance. In particular, attention is paid to the role of microfinance in the informal, unorganized sector, the negative spiral of poverty and debt and the activities of the National Board for Micro, Small and Medium Enterprises and the National Bank for Agriculture and Rural Development with emphasis on their collaboration with Self-Help Groups. It describes the difference between income generation activities and microfinance and argues for an holistic approach to microfinance as tool for poverty alleviation.

2.1 The perspective taken in this study

The study puts micro entrepreneurs of the informal sector, their business and investment strategies at the center. Key aspects are the micro entrepreneurs'

- handling of finances (cash, credit, savings and investments, supply and sales practices)
- priorities of investment (social expenses, child education, business expansion, savings)
- disaster risk reduction measures undertaken (disaster insurance, extra savings)
- and factors of success (self-reliance, long-term productive investments such as savings, i.e.).

2.1.1 General assumptions

Analyses are exploratory, however, some general assumptions will be made:

- **Rational choice.** In line with the government's focus on self-help, self-reliance and capacity for shared responsibility, it is assumed that micro entrepreneurs can and do take rational and responsible decisions, an assumption which is also firmly grounded in standard economic theory (Rational Choice Theory/ Micro Economic Theory of Households Allocations and General Human Capital Theories). This was propagated for less developed countries as early as 1964, for example by Nobel Laureate Theodore Schultz. He argues that "there are comparatively few significant inefficiencies in the allocation of factors of production in traditional agriculture" (SCHULTZ 1983: 37) and propagated the "poor but efficient/efficient but poor" hypothesis which brought a turn-about in development policy. According to this hypothesis, households and micro entrepreneurs in less developed contexts, despite lacking formal education, will take rational decisions within their constraints given by culture, general

poverty or income levels, by gender constraints to economic opportunity, policy, access to microcredit and degree of organization. They should therefore be given bottom-up assistance which makes use of their allocative efficiency (they know best), and not patronized by top-down assistance.

- **Social capital theory.** Of the different approaches to social capital, this study takes a pragmatic perspective defining social capital as investment in social relations with the expectation that this will yield returns such as prestige, help, financial assistance or credit when in need (NAM LIN 2001). Although it has been argued that social capital is less measurable than other forms of capital, this study shows that the investments in social capital can be measured in detail, by analyzing cash flows and financial priorities of households. Consequences of such investments in social relations will be discussed later on, and they also seem to have a tangible and measurable monetary side.
- **Differentiation due to different constraints.** Although all micro entrepreneurs studied belong to the lowest castes in Indian society and are generally very poor, they will exhibit to varying degrees entrepreneurship and innovativeness. They will also differ in their decisions pertaining to investment, credit, savings, purchases and sales and in their behavior and trade-offs under budget constraints. The study aims at identifying in more detail what constraints (**geographic, cultural, economic, gender, caste** etc.) the micro enterprises face and how they adapt.
- **Gender constraints to economic opportunities** can still be expected, simply because they have always been part of the culture and continue to be prominent. Recent studies of micro enterprises in Gujarat have shown that women in India still lack control of their earned income because they have less “intra-household bargaining power” (KANTO 2005: 72).
- **Social dilemma situations** might become evident when certain constraints lead to decisions against better knowledge leaving persons worse off than feasible alternatives. Examples are when loans are taken for medical emergencies where an insurance could have covered this, or when loans are taken for weddings, in addition to own savings, thus increasing the long-term burden of indebtedness considerably.
- **Impact of NGO assistance depending on how well they organize the poor and work with official networks.** Given the Government’s evaluation criteria for community based NGOs, it may be assumed that not all NGOs perform purposefully. Micro enterprises organized in the Chamber of Commerce of Industries and Small Businesses (CCISB), an NGO affiliate of All India Disaster Mitigation Institute, will be looked at and a comparison will be made with a control group of micro enterprises that are not members in this chamber. CCISB itself will therefore be evaluated in the context of other NGOs within the NGO system.

The focus of this research, then, is on identifying

- what decisions were being reported
- which constraints figure most prominently and
- which social dilemmas appear to steer the individual micro enterprise/household of the unorganized sector in the areas studied away from an optimal, i.e. self-sustaining solution, leaving the individual and his family better off in the long run.

Graphically, the context of micro enterprises and respective constraints can be summarized as follows:

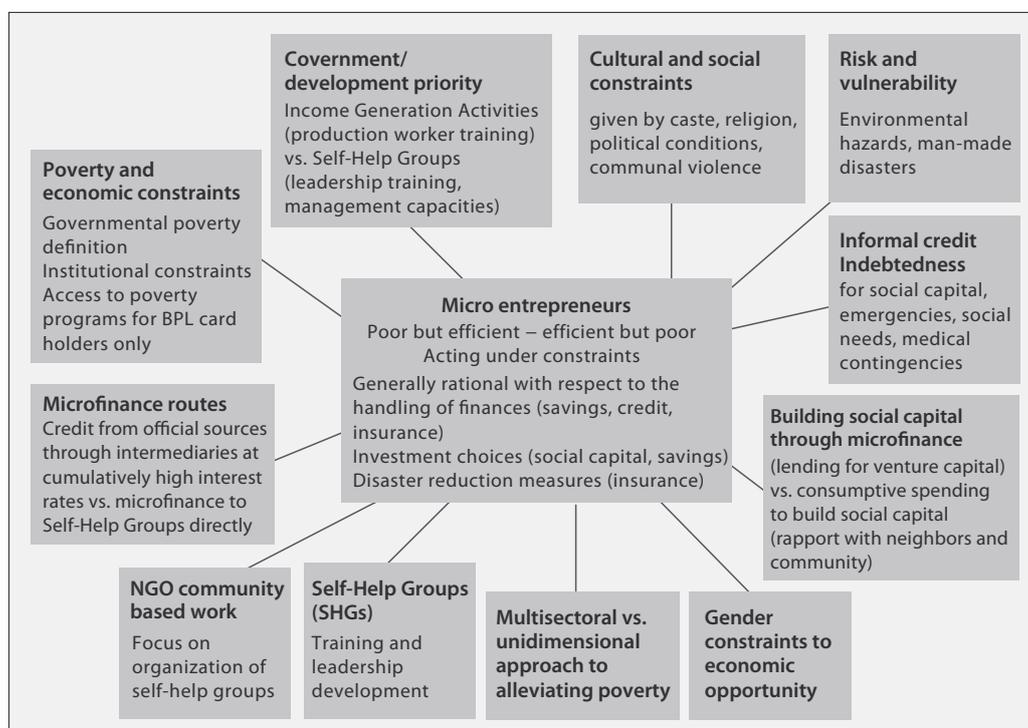


Fig. 2.2 Range of constraints and opportunities affecting micro enterprises. Concept: N. SLIWA

2.1.2

Social capital theory and perspectives taken in the study

The *theory of social capital* has been widely discussed in a number of interdisciplinary fields, from sociology to geography and political sciences, and there are actually a number of social capital theories (BOURDIEU 1972, 1980, 1986; COLEMAN 1988; HANIFAN 1916; LIN 1995, 2001; PUTNAM 1993, 1995a, 1995b, 2000; SALISBURY 1969). It is relevant for the present study because micro entrepreneurs with little financial capital rationally chose to invest in social expenses and relations in order to build up social capital. The following table briefly summa-

Tab. 2.1 Different authors and perspectives on social capital

Author	Perspective on social capital
Pierre Bourdieu	Bourdieu distinguishes between economic, cultural and social capital, with social capital assembling the actual and potential resources linked to the possession of networks or institutionalized relationships. From this perspective, sociability is constructed in order to create social capital, generating advantages for those accumulating it (BOURDIEU 1983: 249).
Robert Putnam	Putnam argues that social capital can be measured by the amount of trust and reciprocity between individuals or in a community. According to him, social capital is the “collective value of all social networks” and the respective “inclinations arising from them” to do something for another person, referring to practices of people that are shaped by areas in which they live. From this point of view, social capital also has a geographical component (MOHAN & MOHAN 2002; PUTNAM 2000).
Francis Fukuyama	Fukuyama describes social capital as an “informal norm that promotes cooperation between (...) individuals. These norms can range from a norm of reciprocity...to complex and elaborately articulated doctrines (...) They must be instantiated in an actual human relationship (...). By this definition, trust, networks, civil society, and the like which have been associated with social capital are all epiphenominal, arising as a result of social capital but not constituting social capital itself” (FUKUYAMA 1999).
Nam Lin	Nam Lin’s pragmatic approach defines social capital as investment in social relations with expected returns in the marketplace (LIN 2001).

rizes selected aspects and definitions of social capital and various social capital theories that are useful for this study, before the approach taken in this study is presented.

The present study adopts NAM LIN’s (2001) definition of social capital as investment in social relations, integrating both social and economic aspects. The study focuses on business strategies of micro entrepreneurs, among which the investment in social capital. This study examines, among other strategies, in detail the amounts spent for social expenses that serve to build up social capital. Although social capital can be translated into financial capital when financial benefits are generated through personal relationships, **this study argues that in the context of the Indian slum communities under study, investing in social relations in order to build up social capital generally goes to the detriment of financial capital, thus increasing vulnerability through personal financial choices.** When building up social capital through the spending of disproportionate sums for social purposes (an annual 20-28 000 Rs when monthly incomes are at 2400 Rs), not only scarce financial capital is used up, but additional loans for social purposes have to be taken which hinders long-term business development.

As this study shows, access to new types of social networks can enhance the building of financial capital through increased savings and facilitate access to micro credit. This leads to a shift in business strategies that enhance effectively the capacities of the micro entrepreneurs. To give an example: when financial capital is low, having a good relationship with a creditor was crucial. Once financial capital had increased, the relationship was stated to be less important than generally paying back on time (Chap. 7). This could indicate that as soon as financial capital effectively increases, the relational dependence decreases.

Social capital is all the more important the less effective financial capital there is. Investments in social capital can prevent building up financial capital that may improve the personal or enterprise's situation. Furthermore, social capital that is often supposed to transform into financial capital might only virtually do so, for instance when repayments (not interest) can be delayed, but still have to be made.

The mechanisms behind building up social capital should not hinder the accumulation of actual financial capital. New social networks such as business associations, however, that help increase financial capital through savings, facilitated access to micro credit or financial literacy training constitute a kind of social capital that increases financial capital instead of decreasing it. Therefore, this study supports the idea of bridging social and financial capital in a way that both increase for the benefit of micro entrepreneurs and their business development.

2.2

The concern with micro enterprises and the organization of the informal sector

Micro enterprises are understood here to be small scale firms of the so-called informal sector. As such, research into micro enterprises is conceptually located at the interface of

- the development challenges and research topics related to the informal (or unorganized) sector
- the management of micro enterprises under conditions of vulnerability and risk given by absolute poverty and the recurrence of disasters
- development policy related to the micro enterprise sector giving particular attention to microfinance and informal financial markets this sector draws upon.

Micro enterprises have been the focus of interdisciplinary research in the fields of development economics and finance, geography, rural sociology, anthropology and others over the last few years. Much has been published, both from the view point of theory and practice and on related policy. International organizations, like the International Labor Organization (ILO) in Geneva and others, have been dealing with such topics for several decades, and several university departments and world renowned scientific institutions have specialized in this particular field of research.

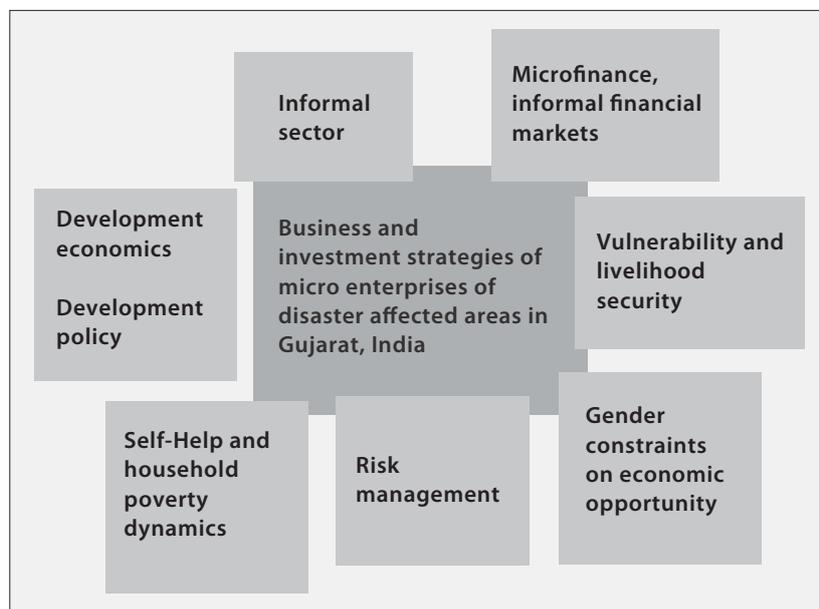


Fig. 2.3 Research at the interface of several interdisciplinary fields. Concept: N. SLIWA

Ever since the ILO drew the world's attention to the informal sector in the early 1970's (ILO 1972), this sector has been defined and widely studied concerning its main characteristics and merits in employment and livelihood generation (DAZA 2005a; DAZA 2005b; HUSSMANN 1998; HUSSMANN 2004; HUSSMANN & JEU 2002; ILO 1993; MUSINSKI & PICKERING 2007; RINEHART 2004; ROGERS & SWINNERTON 2005; SCHLYTER 2002). Further, the benefits of the informal sector for technology development, innovation and participation, as well as in building social capital have been recognized (BALA SUBRAMANYA 2005; WILSON & PLATT 1999; SINGH n.d.). The informal sector is again the focus of the ILO's current Decent Work Agenda (CARR & CHEN 2002; LARSSON 2006; MUSIOLOEK 2002), the contents of which are briefly summarized in Box 2.1. According to this report, effort is to be made to ensure that informal activities gradually receive a more formalized, protected character (CHEN, JHABVALA & LUND 2002; CHEN et al. 2005; NATHAN 2002). It is generally accepted that structure and microfinance (microcredit, micro savings, micro insurance) are important factors contributing to increasing livelihood security in the micro enterprise sector. Especially microfinance is seen as essential to mitigate risk, reduce poverty and vulnerability (Chap. 3) and is also of value in easing gender constraints of economic opportunity (BACHRACH EHLERS & MAIN 1998; BALKENHOL 2002; BHATNAGAR 2008; GALLIN 2002; JUSTICE 2002; KANTOR 2002, 2005; KAUFMANN WINN 1994; LIM 2002; MORRISSON 1994; MUSHINSKI & PICKERING 2007; TIPPLE 2006). However, microfinance is not without critic (ADAMS & VON PISCHKE 1992; DICHTER & HARPER 2007; MOSLEY & HULME 1998).

Micro enterprises and the informal sector according to the ILO

In 1993, the International Conference of Labor Statisticians (ICLS) adopted an international statistical definition of the informal sector.

(<http://www.unescap.org/stat/isie/reference-materials/Definitions/Informal-Sector/Statistical-definition-Informal-Sector-ILO.pdf>)

Accordingly, all unregistered (or unincorporated) enterprises below a certain size belonged to the informal sector, including

- **micro enterprises owned by informal employers** who hire one or more employees on a continual basis; and
- **own-account operations owned by individuals** who may employ family members as workers and employees on an occasional basis

(http://www.ilo.org/public/libdoc/ilo/2002/102/B09_139_engl.pdf).

Definition. “The informal sector is broadly characterized as consisting of units engaged in the production of goods or services with the primary objective of generating employment and incomes to the persons concerned. These units typically operate at a low level of organization and at a small scale, with little or no division between labor and capital as factors of production. Labor relations – where they exist – are based mostly on casual employment, kinship or personal and social relations rather than contractual arrangements with formal guarantees.”

(<http://www.ilo.org/public/english/bureau/stat/download/compres.pdf>).

Workers of the informal sector lack social security systems (health care, pension plans, accident insurance) and are therefore highly vulnerable.

Context. This broad definition is particularly of relevance for statistical purposes. The enterprises referred to can either be:

1. informal own account enterprises (those that are not registered under specific forms of national legislation),
2. enterprises of informal employers (those with less than a specified level of employment) not registered and/or
3. employees not registered (International Labor Organization Resolutions Concerning Statistics of Employment in the Informal Sector Adopted by the 15th International Conference of Labor Statisticians, January 1993, paras. 5, 8 and 9).

“**The International Labor Organization** is devoted to advancing opportunities for women and men to obtain decent and productive work in conditions of freedom, equity, security and human dignity. Its main aims are to promote rights at work, encourage decent employment opportunities, enhance social protection and strengthen dialog in handling work-related issues.”

(http://www.ilo.org/wcmsp5/groups/public/@dgreports/@dcomm/documents/publication/wcms_098967.pdf;

<http://www.ilo.org/global/about-the-ilo/lang-en/index.htm>).

“**Decent work** is central to efforts to reduce poverty, and is a means for achieving equitable, inclusive and sustainable development. The ILO works to develop Decent Work-oriented approaches to economic and social policy in partnership with the principal institutions and actors of the multilateral system and the global economy. Progress requires action at the global level. The ILO is developing an agenda for the community of work, represented by its tripartite constituents, to mobilize their considerable resources to create appropriate opportunities and to help reduce and eradicate poverty. The **Decent Work Agenda** offers a basis for a more just and stable framework for global development. The ILO provides support through integrated decent work country programs developed in coordination with ILO constituents. They define the priorities and targets within national development frameworks and aim to tackle major decent work deficits through efficient programs that embrace each of the strategic objectives: lasting peace, prosperity and progress.”

(http://www.ilocarib.org.tt/portal/index.php?option=com_content&task=view&id=1096&Itemid=952;

<http://www.ilo.org/global/about-the-ilo/decent-work-agenda/lang-en/index.htm>;

<http://www.ilo.org/global/topics/economic-and-social-development/poverty/lang-en/index.htm>)

Other Sources: International Labor Organization (ILO) Resolutions Concerning Statistics of Employment in the Informal Sector Adopted by the 15th International Conference of Labor Statisticians, January 1993, para. 5, 8-9, www.ilo.org, July 2009; NOHLEN 1998: 364.

Box 2.1 Definition of the informal sector according to the International Labour Organization and presentation of the aims of its „Decent Work Agenda“. Sources are indicated in the box.

2.2.1 Organizing the informal sector

The informal sector is referred to in India as the “unorganized sector”, a term that reflects this sector’s structural feature of a “low level of organization” (ILO 1993: 5-9). Organization is argued to be a precondition of poverty alleviation and constitutes one of its five main components according to Bhat (pers. comm., 28th Oct. 2008, see Chap. 2.4). NGOs and local microfinance institutes (MFIs) play a major role in organizing the poor of the micro enterprise sector into Self-Help Groups (SHG) in view of reducing poverty (JOHNSON & ROGALY 1997; NABARD - NATIONAL AGRICULTURAL BANK OF RURAL DEVELOPMENT, various years; PREMCHANDER 2003). SEWA – the Self-Employed Women’s Association – was one of the first NGOs in India to address self-organization as a means of increasing self-reliance and thus, escaping poverty. Founded in 1972, it is today the world’s largest trade union for women, speaking for more than 1 million self-employed female micro entrepreneurs in India. This NGO demonstrates how the poor can make their voice be heard through organization. It also shows that NGOs have a role to play in introducing new ideas, encouraging innovation and raising awareness in public and private spheres.

“Until Ela Bhatt came (the founder of SEWA), nobody even thought of organizing unorganized laborers, although this is the largest sector in India. The Government had not thought about it. Even Gandhi missed that point: he organized textile mill workers, but did not think of the unorganized laborers. The poor have to get organized, and one must help them to get organized, because they cannot do it themselves, since they have no training” (BHAT R., pers. comm., 28th Oct. 2008). The Indian Government has started to take up this issue by creating institutions that gear towards the organization of poor in Self-Help Groups (concept described in detail in Chap. 2.5), linking them up with formal services and support systems (see Chap. 2.6), but there is still a long way to go, as the following subchapters show.

2.2.2 Categories of the poor and borrowing as a factor of poverty

Just how important it is to organize the poor to help themselves out of poverty is indicated by what BHAT has to say (pers. comm., 15th Sept. 2008): The poverty line in India is officially at 12 000 Rs. per year, regardless of household size. From the perspective of consumption, the poverty line as defined by the Government of India and the District Rural Development Agency (DRDA) at below 2100 calories per day per family. This implies that all the “poor” are undernourished (SHEVDE, U.S., pers. comm. 8th Oct. 2008). With the definition of poverty in India being vague, the distribution of BPL (Below Poverty Line) cards entitling recipients to food rations and other necessary goods like petrol, as well as government programs geared towards the poor, is arbitrary. Sometimes

such cards are issued after assessing the interior of a house – a slum family owning a fan might then be considered too well-off to receive a BPL-card – or by assessing family relations. For instance, members of a certain family linked to a local official person in charge of the distribution of BPL cards may receive cards, whereas others, who are possibly in greater need, might not. It would thus seem that although poverty is undisputedly one of India's major problems, the "poor" are not well defined and the situation can therefore not be tackled appropriately. Different approaches are needed to define poverty in a reliable and objective manner in order to respond to the problem accordingly.

One approach might be to establish four new categories of poverty that can easily be determined anywhere in India. According to BHAT these could be (pers. comm. 15th Sept. 2008):

- Destitute families i.e. deserted women, widows or senior citizens living on their own. In any Indian village or rural context, any person would know who these people are.
- Landless laborers, easily determined using land-ownership records.
- Small and marginal farmers, a category clearly defined in the Indian Census as people with less than 1 hectare of land (marginal) or owning up to 2 hectares (small).
- Artisans. This profession is linked to certain castes. In contemporary India, artisans have come under great pressure from industrial progress and increasingly experience economic hardship.

Poverty is compounded by many different factors. One example is the exploitative interest rate system in the country. Interest rates in India can be set on a daily, weekly, monthly or annual basis. For example, an interest may be charged of 1 Rupee per 10 days a loan is not paid, or 10 Rs may be charged per day, resulting in interest of several thousand percent per year. Another practice is to charge 6% interest for each Rupee credit, which adds up to 72% interest a month. Alternatively, an interest free version is loan money in return for lifelong labor (BHAT, pers. comm., 28th Oct. 2008). This practice often hits the very poor, people who are forced to borrow money for medical emergencies or to rebuild their livelihood after disasters. In many cases, they struggle to pay the high interest rates charged. These exploitative interest rate systems are discussed in more detail in the context of Gujarat in chapter 3.3.1.

2.2.3

Institution building for the micro enterprise sector – ministries and financial institutions

This rather difficult credit situation has not gone unrecognized by the Government of India which has responded with a whole series of measures from founding institutions to ease access to formal credit to assisting the micro enterprise sector in various ways, particularly in organizing itself.

The Ministry of Micro, Small and Medium Enterprises. The most important measure implemented by the Indian Government to assist the micro enterprise sector was to create a **Ministry of Micro, Small and Medium Enterprises (MSME)**. In 2007, the Ministry of Agro and Rural Industries and the Ministry of Small Scale Industries merged to form the MSME. It is estimated that the micro and small enterprises sector in India accounts for about 95% of total employment, 39% of manufacturing output and 33% of total national export. The main advantage of the sector is employment potential at low capital cost. The MSME addresses concerns of this sector and undertakes advocacy on behalf of the small scale sector (MSME Annual Report 2006-2007, <http://msme.gov.in/ssi-ar-eng-2006-07.pdf>, p.3-11 and <http://msme.gov.in/>, Oct. 2008). The role of the ministry is to assist the Indian States in

- promotion of growth and development in the small scale sector
- enhancement of small scale sector competitiveness in a market led economy
- generation of additional employment opportunities.

The specific schemes and programs of the MSME seek to facilitate the following:

- adequate credit from financial institutions and banks
- funds for technology upgrading and modernization
- integrated infrastructural facilities
- access to modern management practices
- entrepreneurship development
- skill upgrading through appropriate training facilities
- assistance for better access to domestic and export markets
- cluster wide measures to promote capacity building and empowerment of units and their collectives.

Among the organizations associated with the MSME that plan and implement policies, programs and schemes are:

- the Small Industry Development Organization (SIDO)
- the National Small Industries Corporation Ltd (NSIC)
- the National Commission on Enterprises in the Unorganized Sector (NCEUS)
- three National Entrepreneurship Development Institutes (MSME Annual Report 2006-2007, <http://msme.gov.in/ssi-ar-eng-2006-07.pdf>, p. 3-11).

Recent policy initiatives include:

- **Micro, Small and Medium Enterprises Development (MSMED) Act (2006)**. The Act provides for the establishment of a statutory **National Board for Micro, Small and Medium Enterprises**. This board undertakes measures to promote, develop and enhance the competitiveness of micro and small

enterprises and provides for credit facilities and provisions related to delayed payments to micro and small enterprises. For the first time, the government has defined their medium and micro enterprises sector clearly (see Chap. 1).

- **National Manufacturing Competitiveness Program (NMCP).** The program aims to increase the competitiveness of the manufacturing sector. The five year program budgeted in 2006-2007 comprises ten schemes, amongst, for example, entrepreneurial and management development of small and medium enterprises, definition of quality management standards and marketing support to small and medium enterprises.
- **Package for Promotion of Micro and Small Enterprises.** The objective of this package is to assist micro and small enterprises in fully using their potential by enhancing their competitiveness. This includes support in the areas of credit, technological upgrading, marketing and infrastructure and industrial infrastructure. It also includes legislative and fiscal measures. Measures are foreseen to improve the database of the micro, small and medium enterprise sector (MSME Annual Report 2006-2007, <http://msme.gov.in/ssi-ar-eng-2006-07.pdf>, p.3-11).

The National Board for Micro, Small and Medium Enterprises is headed by the Central Minister in charge of MSMEs and is formed by persons of eminence, as well as by members and representatives of:

- parliament
- central/national ministries
- state governments
- rural banking institutes
- NABARD – National Agricultural Bank for Rural Development
- associations of micro and small enterprises, including women
- national trade union organizations.

Quarterly meetings of the National Board for Micro, Small and Medium Enterprises are mandatory.

The Government of India, then, has taken an exemplary approach. It has recognized the importance of the micro sector for India and has established ministries and agencies to advocate and promote it. By creating official institutions specifically geared towards the organization, promotion and advocacy of this sector, the government has taken first steps towards formalizing it. The role of trade unions, such as SEWA (which was the first organization to target the micro enterprise sector by organizing it, and, in particular, women) cannot be underestimated. 30 years after SEWA started promoting the rights of the unorganized female entrepreneurs, the Indian Government has set up a ministry which includes the associated institutions of the micro enterprise sector. Thus, the country's largest trade unions have been given an official voice (MSME Annual Report 2006/07: 9).

<p>NABARD was set up as a development bank in 1979, when a new institutional setup was necessary in order to integrate credit activities in the context of the strategy for Integrated Rural Development. NABARD has a mandate to facilitate credit flow for promotion and development of</p> <ul style="list-style-type: none"> • agriculture • small-scale industries • cottage and village industries • handicrafts • other rural crafts. <p>NABARD has a mandate to support all allied economic activities in rural areas to promote integrated and sustainable rural development, securing the prosperity of rural areas. As an institution accredited with all matters concerning policy, planning and operations in the field of credit for agriculture and other economic activities in rural areas, NABARD is entrusted with</p> <ul style="list-style-type: none"> • providing refinance to lending institutions in rural areas • promoting institutional development • evaluating, monitoring and inspecting the client banks 	<p>NABARD</p> <ul style="list-style-type: none"> • acts as a coordinator of rural credit institutions • acts as a regulator for cooperative banks • offers training and research facilities for banks, cooperatives and organizations in the field of rural development • extends assistance to the government, the reserve bank of India and other organizations related to rural development • assists state governments to provide assistance to eligible institutions in agriculture and rural development • provides loans to state government as well as to NGOs for developing rural infrastructure • supports credit innovations of NGOs and other non-formal agencies • extends formal banking services to the unreached rural poor by promoting cost effective Self-Help Groups.
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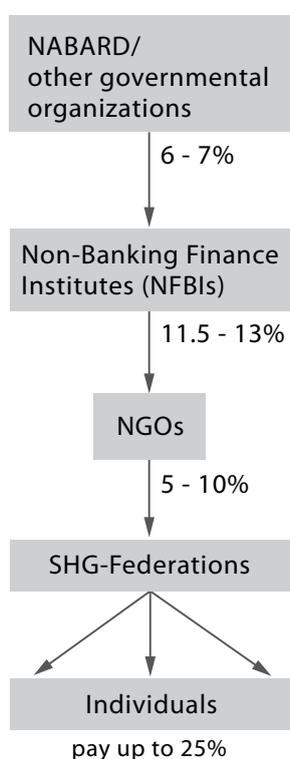
Box 2.2 India's most important Development Bank NABARD. Source: www.nabard.org, Oct 2008

The National Bank for Agriculture and Rural Development – NABARD.

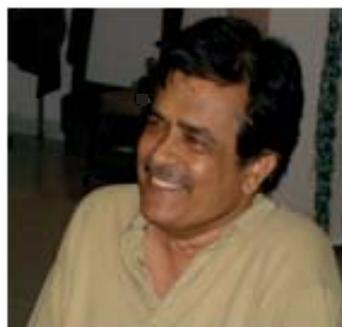
In the light of these developments, the Government of India created influential institutions at the ministerial and operative banking level to facilitate poverty reduction through improving access to formal credit. This has eased the pressure caused by informal local money lending systems. Provisions have also been made for setting up control agencies and mechanisms. India's most important development bank is the National Agricultural Bank for Rural Development NABARD (Box 2.2).

NABARD is, however, expected to run economically. Credit approved by the bank is thus subject to commercial interest rates. Further, it is dependent on working with other intermediary institutions, both local financial institutions and local community or Self-Help Groups (see chap. 2.5). Thus, although NABARD, as the operational arm of the Government of India, extends loan charges at about 7% interest, by the time the end consumer receives the loan through a long chain of credit suppliers, they will be paying an interest of around 25% (Box 2.3). Consequently, despite the hopes expressed by the Government of India in microfinance to alleviate the dependence of poor people on informal financial markets (the village or urban community money lender), the present credit and loan system is as yet not alleviating the problem of indebtedness substantially.

In an interview with R. Bhat in 2008, the former president of Ahmedabad Study Action Group highlighted the following weaknesses about the official microfinance system, pointing out that it had to do with personal profit: NABARD charges 6-7% interest to Non Banking Finance Institutions (NBFIs), and they in turn lend it at 11.5-13%. These NBFIs sell their organization by saying “we add value to the money”, which Bhat interprets as “microfinance + unnecessary increase”, as there is no indication that they do anything in particular with the money besides adding interest. He points out that even the bank of the trade union SEWA used to charge 1 Rupee interest per day for every 10 Rs loaned. That made 10 Rs in interest for 100 Rs, which is a 10% interest rate per day. 10% daily interest per annum (365 days) results in an interest of 3600%. Why exploit the poor by going through multiple steps? The middle class can lease cars at almost 0%. Why do the poor have to pay such interest rates? For Bhat the reason is clear: the poor are so many, and that is why exploiting the poor is such a good business.



Rajesh Bhat left ASAG to build up his own organization, based on his family's long-term involvement in their “Matrusmruti Trust”, promoting children's rights to education and supporting street children. He founded the Aware Foundation in 2008. Mr. Rajesh Bhat's valuable insights into microfinance systems, interest rates and supply chains as well as poverty alleviation in India have been taken up in several discussions in this study and were of great value for the interpretation of research results.



An NBFI, such as the Friends of Women's World Banking, borrow money from NABARD and in turn serve as contact institution for potential clients like a federation of Self-Help Groups or a NGO in need of project financing. At the end of the line in the Self-Help Group (SHG) member. Bhat argues that NABARD should be making loans directly to relevant institutions, like a SHG federation, in order to keep the interest rate low.

The basic idea of microfinance – easing the access of the poor to finances – is to be acknowledged because in banks, the poor need documents and have to fulfill conditions for mortgages. However, in the current microfinance system, the middlemen grab a major share of available resources for themselves. Bhat adds that the role of middlemen has to be questioned in all sectors – in microfinance as well as in farming. Farmers, for example, who cannot afford to transport their vegetables to market themselves, have the choice of feeding their animals with their crops or paying middlemen. Whereas the farmer gets 40 Rs per 20 kg for his vegetables by selling it to the middlemen, the consumer pays 40 Rs per kg in Ahmedabad! By helping their members to organize themselves, SEWA helped their members to escape the claws of the middlemen (BHAT, R., pers. comm. 28th Oct. 2008).

For almost 27 years, Mr. Rajesh Bhat presided over “Ahmedabad Study Action Group (ASAG), an NGO dedicated to alleviating poverty locally. At its peak, ASAG worked in 116 villages and supported 7000 women, 2000 landless people, 60 important artisans and 350 women's saving groups. In 2007, Mr.

Box 2.3 The true interest rates of official microcredit in India according to R. BHAT (2008)

2.3 Income Generation Activities vs. microfinance

In spite of the apparent disadvantages of the current microfinance system, in development policy, microcredit from formalized sources is still considered a more effective tool than the formerly propagated mechanism of Income Generating Activities (IGAs). Development policy focused on IGAs from the 1980s onwards as one component, if not the most important, of poverty alleviation. The concept refers to any activity (generally skilled labor) which generates income for an individual or for a group. Theoretically, IGAs can either be the main source or only source of income for an individual, or they can contribute towards the primary income (income supplement - i.e. home-based stitching work). However, practitioners, like Bhat (2008), criticize the term “income generation” for the impression it gives that these activities can be the only source of income for an individual. In reality, IGAs are “income supplement” activities because the main source of income in rural areas will always be agriculture or related activities. The same holds true for urban areas, where the household income is usually made up of a variety of income generating activities, none of which could support a household alone (BHAT, R., pers. comm., 28th Oct. 2008).

Bhat (2008) criticizes IGAs for being too focused on income generation (Fig. 2.4). IGAs often go hand in hand with long training phases and material needs. Not only do they require high input for small outcome, but they are strongly vulnerable to external disturbances. In the carpet cooperatives that used to be popular in India, training extended over a year. Investments for machines and material were necessary. However, despite these investments of material and training, the target group remained extremely vulnerable. Not only was the carpet industry dependant on export, but also strongly vulnerable to external and internal conditions it could not influence. When the Gulf War affected India’s economic ties with Western countries, this industry could not sell anymore. Despite the training the target population had received, they were forced to go begging.

Another general problem with handicraft work as an income generation tool is that despite investment in training, many trainees leave to do simpler work, like packing, because they can earn more money. Evaluation of IGA’s in the 1980’s brought to light that these activities in fact did not raise the average income of regions significantly. Further, many IGAs as promoted by NGOs during this period were not sustainable, only existing as long as the NGO was active in the area. Bhat points out that IGAs produce workers, not leaders. In contrast, the concept of Self-Help Groups (see chap. 2.5) leads to nurturing of leader personalities. When poor people put their hard earned money into the hands of one person, they will make sure that this person is reliable – and this is how leader personalities can be nurtured. Microfinance can support this process by creating opportunities for people to work together and share responsibility. It is less intensive and needs less input, but generates a greater output. Thus, in contrast

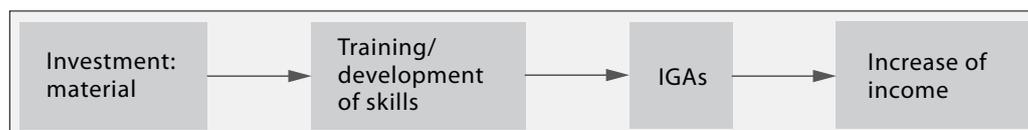


Fig. 2.4 Unidimensional approach of Income Generation Activities (IGAs). Concept: N. SLIWA, based on pers. comm. with R. BHAT

to the IGA approach, microfinance does not focus on income generation alone, but on training and leadership development as well (BHAT, R., pers. comm., 28th Oct. 2008).

Advantages of microfinance. Bhat lists the following points as distinct advantages of the microfinance approach to development (pers. comm., 28th Oct. 2008):

- Microfinance reaches the poorest of the poor. This is not possible with IGAs, which are a layer above of the poorest, and where people already have some skills. The majority of landless people, the Scheduled Castes and Scheduled Tribes, however, have no skills, and their only asset is their body. Since many have never had schooling or training, and neither have generations before them, their attitudes to change are often negative. Bhat points out, that in many cases, “these people are not only illiterate, but scared of paper work, which is why they prefer physical work” (pers. comm., 28th Oct 2008).
- Microfinance reaches more people than IGAs and with less input. With IGAs, helping ten people requires a certain investment and extending activity to include another ten people demands additional investment. To add one weaver to a group of 10 weavers, finances have to be available for further raw material and another handloom, amongst other costs. In order to get 1 Rupee out of this, an investment of 100 Rs. is needed first. In contrast, the input required by microfinance is not only smaller, but different: organizing women, for example, into a savings and credit group, and then adding another ten women, is not costly at all.
- The microfinance approach is sustainable. Microfinance is both result-oriented and problem-oriented. It does not stop at awareness raising. A typical element of a microfinance project is the regular meetings held between a self-help group and NGO staff. Not only do these meetings support the group members in sharing responsibility and risk, but they create opportunities to define needs and ensure access to appropriate experts or training in order to meet these needs. Examples of such topics that may be dealt with are “How do banks operate?” or “Pre- and postnatal health of women – aspects of nutrition”. A lot of women suffer from iron deficiency, not knowing why they always feel so tired and what they can do about it. So at one such meeting or over a couple of weeks and months, they may learn about vegetables, which ones contain iron and how to improve their health through nutrition and Ayur-

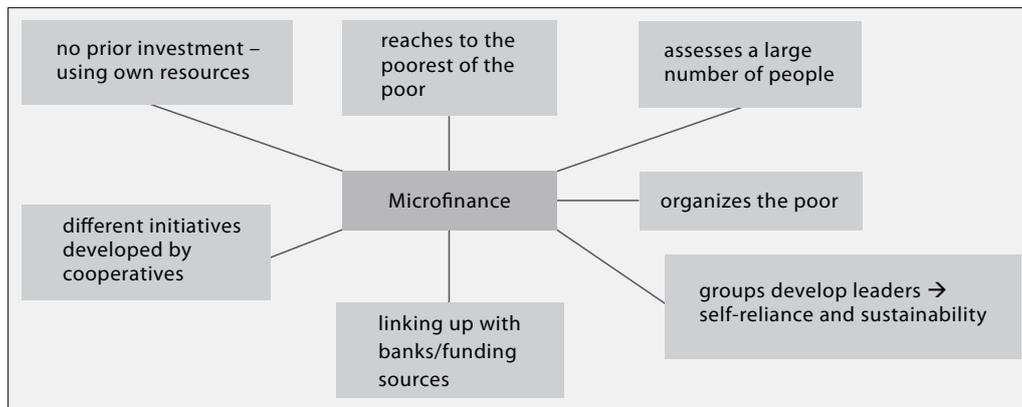


Fig. 2.5 The multisectoral, holistic approach of microfinance. Concept: N. SLIWA, based on pers. comm. with R. BHAT

vedic medication. Thus, it is made clear here, that microfinance is not only about finances, it is also a tool to organize poor people and train them so that they can defend their interests, speak up and negotiate with authorities.

It should be said that microfinance projects can be seen as strictly financial tools, but their effectiveness is greatly improved if attention is paid to broader conceptual approaches. The Grameen Bank, for example, is considered revolutionary for its contribution in the area of microfinance schemes, but it has also been criticized as too narrow and unable to respond to the complex nature of poverty. The Grameen Bank may help someone get a loan for a cow, but if the cow is sick, what then? Bhat argues that the target population must learn how to deal with such problems. Poverty is not only about money and the lack of it, but also about class and caste, religion (indirectly and directly), about education, land distribution, health and business. Poverty is a complex phenomenon, and a strictly financial approach to alleviating poverty does not respond to non-financial aspects of it (KRISHNA 2005). It is unlikely that sustainable poverty alleviation is possible without a multisectoral, holistic approach that includes political, social and cultural components and appropriate training for the target population (Fig. 2.5). As Bhat puts it, microfinance is a very useful tool, but it is just one weapon in the battle against poverty. In order to win in the long run, an entire armory needs to be set into action (BHAT, R., pers. comm., 28th Oct. 2008).

2.4

Five components of poverty alleviation

Building on the arguments for a holistic approach to microfinance to reduce poverty, this section explores important components of poverty alleviation, structuring the discussion around the palm symbolism of Ayurvedic medicine (see Fig. 2.6). Each of the five fingers has a particular strength, but none alone can lift weights or write. Transferring this image to poverty reduction, one finger or one-sided approaches are likely to fail (BHAT, R., pers. comm., 28th Oct. 2008).

The **five approaches to poverty alleviation** according to Bhat (pers. comm., 28th Oct. 2008, Fig. 2.6, page 34) are:

1. **Organizing the poor.** Forming the target population into a group or so-called “federation” before loans and relief are handed out has the advantage of creating group responsibility, ownership and even pride. Use of group names and official titles levitate simple citizens to persons of respect. Without an organization, poor people have less bargaining power as small numbers are not effective. The target group should be the poorest of the poor in rural areas, without paying attention to caste as over 70% of the rural poor belong to low castes such as the Scheduled Castes and Scheduled Tribes. Further, this process of organization needs to take place at different levels: the village, district and the area level.
2. **Encouraging capacity building.** Where there is a lack of understanding and awareness of the complexity of a problem, money will not help much. Over the period needed to save up small amounts, time can be set aside to fill knowledge gaps and ask questions. Capacity building includes six main aspects:
 - **Raising awareness.** This could mean pointing out to women that anemia can be cured. Many believe anemia is a heavenly curse that affects the physical condition and that it is divinely ordained and thus caste-given. By discussing the causes of anemia and possible solutions, a contribution is being made to basic awareness raising.
 - **Specific knowledge transfer.** With respect to anemia, important questions in this particular example will be “What is anemia?” and “What is hemoglobin?” Group members might learn about oxygenated blood, that “good blood” helps your body and how nutrition can cure anemia. These sessions might extend over 3-4 modules, taking 2-3 days per session.
 - **General leadership training.** Moving on from specific themes, general concepts of society, organization and leadership can be discussed. In training sessions occurring at regular intervals, for example, every two months, the following aspects could be addressed:
 - What is poverty?
 - What are structural aspects of poverty?
 - How do systems work?
 - How should one organize a meeting?
 - How should one take short notes and write letters?
 - How should one talk to a collector (a high ranking government official)?

In these training sessions, the group members would be encouraged to stop thinking of poverty in terms of money. By being aware of the complexity of their context, the group members are equipped to take a more reflective approach to dealing with problems at hand. The awareness that poverty is often linked to the caste system and thus lack of access to good schooling or participation in political systems can be empowering.

- **Skills and management training.** Skill training might be income generation-related and depends on the needs as well as the context. Examples of skill training would be:
 - training weavers to weave better
 - teaching potters how to glaze their pottery in order to increase the value of their products and thus, generate greater income.

Management training is generally linked to the needs of Self-Help Groups (see chap. 2.5) and might include the following:

- accounting
 - calculating interest for different periods. In most cases, poor and illiterate people do not know how to calculate interest. They are thus, often unaware of the financial risk they take when buying on credit or taking out a loan.
 - keeping records of group decisions in the form of minutes.
- **Paraprofessional training** (= half-professional training). In India, rural areas often do not have access to certain professional services. Doctors avoid going to the villages, and veterinarians, mechanics and kitchen equipment sellers are rarely seen as well. When equipment breaks, there is generally nobody to repair them (e.g. spinning wheels). As a result, although certain assets may be available in rural areas, it is not said that they can be used. The idea during this phase of contact with Self-Help Groups is to teach members the skills needed to make their community or group more self-reliant.
 - **Paralegal training.** Similarly, lawyers are seldom seen in rural areas, although the demand is high due to land and caste disputes. The Self-Help Groups can be given support to train members to become “the eyes and ears of the village”, with specific training in relevant legal aspects.
3. **Supporting Income Generation Activities.** As described before, this concept generally refers to any action requiring skilled labor and which generates income for an individual or for a group. IGA are defined here as activities which can supplement income and spread risk, be this in rural areas through diversification into animal husbandry (milk), for example, or by learning new skills (embroidery, sewing).
4. **Entitlement awareness and legal aid.** Of the 12-15 cooperatives established in different sectors and with different target groups in Gujarat in the 1980s, only two were still functioning 20-30 years later. Most closed either because they lacked the skill or resources to deal independently with the outside world, such as with banks, and/or because they could not market their goods. Thus, it appears that poverty alleviation programs including IGAs need to inform the target group of their legal entitlements and empower them to protect existing and new entitlements. Today, much more information and support is available from the government than before. Legal aid can include the following:

- legal literacy: raising awareness on the rights of the rural population as individuals, citizens and as business partners.
- paralegal training (discussed above)
- establishing legal aid centers that provide free aid to legal cases
- advocacy in legal aid sections.

5. **Improving living conditions.** Habitat development is not about constructing new and better houses, but about learning how to live healthier and more comfortably. Here, an understanding of proper sanitation and toilet use can make a big difference to the general well-being of a household. Continual support and guidance in these matters can ensure long-term success of such strategies (BHAT, R., pers. comm., 28th Oct. 2008).

The five main components of poverty alleviation as discussed above are summarized in the following figure. Again it is emphasized that these components refer specifically to the collaboration with Self-Help Groups and the organization of the poor.



Fig. 2.6 Five main components of a multi-sectoral, multi-pronged and holistic poverty alleviation strategy according to BHAT, in analogy to the handpalm-principle in Ayurvedic medicine Concept: N. SLIWA, based on pers. comm. with R. BHAT, 28th Oct. 2008

2.5

The concept of Self-Help Groups (SHGs): “Savings first – credit later!”

An effective and successful way of organizing the poor and helping them secure their livelihood are so-called Self-Help Groups.

Definition of Self-Help Groups. “A Self-Help Group has an average size of 15 people from a homogenous class. They come together to address common problems and are encouraged to make voluntary savings on a regular basis. They use these savings to make small interest bearing loans to their members. The process helps them imbibe the essentials of financial intermediation including prioritization of needs, setting terms and conditions and accounts keeping. This gradually builds financial discipline in all members. They also learn to handle resources of a size they would not have been able to deal with as individuals. The SHG members begin to appreciate that resources are limited and have a cost. Once the groups show this mature financial behavior, banks are encouraged to make loans to the SHG in certain multiples of the accumulated savings of the SHG. The banks loans are given without any collateral and at market interest rates. The groups continue to decide on the terms of loans to their own members. Since the groups’ own accumulated savings are part and parcel of the aggregate loans made by the groups to their members, peer pressure ensures timely repayments” (NATIONAL BANK FOR AGRICULTURE AND RURAL DEVELOPMENT (n.d.)).

The benefits of Self-Help Groups have also been acknowledged by the Government of India which has devised its microfinance programs on this concept (SING & SARAN 2006).

SHG Bank Linkage Program. Although the banking system in India has a network reaching out to the most remote rural areas of the country, formal banking services were out of reach of the very poor. There was a need to deliver microfinance services to the poor in rural areas by building on the existing infrastructure of 150 000 rural branches. There was also a need for a “subsystem as a corollary to the existing banking network, which was **cost effective** and **user friendly** for both the banks and the very poor.” The hope was that the poor would consequently be able “to relate to the banks in a better manner, and the banks, in turn, would consider banking with the poor an attractive business proposition. *The challenge, therefore, was to link the poor in very large numbers to the formal banking sector in a sustainable and cost effective manner.* **The SHG Bank Linkage Program** in India has emerged as the largest microfinance outreach program in the world. It is also the most cost effective and fastest growing microfinance initiative in the world” (NATIONAL BANK FOR AGRICULTURE AND RURAL DEVELOPMENT (n.d.)).

NABARD conceptualized and introduced the SHG Bank Linkage Program, it contributes to policy framework and makes available large scale capacity building inputs. NABARD gives fund support to participating agencies, holds trainings and encourages banks to act as SHG Promoting Institutions. It monitors the program at all levels and develops region specific strategies. By 2005, NABARD had conducted/supported over 50 000 programs benefitting more than 1 Mio. people. **Innovative pilot projects include the promotion of micro enterprises among members of mature SHGs.**

Summarized below are the advantages of Self-Help Groups for members, banks and NGOs as seen by official policy.

Tab. 2.2 Benefits of Self-Help Groups (SHGs) according to the National Bank for Agriculture and Rural Development

Benefits for members	Benefits for banks	Benefits for NGOs
<ul style="list-style-type: none"> • "discuss and help each other to solve common problems • collect and use own savings to make interest bearing small loans to each other • learn basics of financial intermediation • learn to appreciate others' needs and prioritize their own needs • have opportunity to handle resources greater than previously experienced • realize that resources are scarce and have a cost • learn that repayment is not difficult with a regular savings habit • use peer pressure as an effective substitute for collateral security • win the confidence of the formal banking system through mature financial behavior, leading to further access to need based funds • learn to interact with the external environment in a meaningful way, leading to increased self esteem and confidence" 	<ul style="list-style-type: none"> • "benefit from reduced transaction cost through economies of scale • learn to externalize credit supervision and servicing to the NGOs or to the SHGs themselves • benefit from mobilization of small savings through groups, gaining access to low-cost funds • accept peer pressure within the SHG as an excellent substitute for collateral securities, leading to more than 95% repayments • get timely repayments leading to faster recycling of funds • recognize SHGs as the appropriate medium for expansion of business of rural branches for wider coverage of clientele • recognize the prospects of "ripple effect" in quality among their clientele • build goodwill among the rural clientele • benefit from full refinance facility from NABARD for better fund management" 	<ul style="list-style-type: none"> • "find SHGs as complimentary to their core functions • use the synergy of social and economic programs for better impact on the poor • deepen and widen the outreach to the poor through "credit plus" approach • gain recognition as socio-economic agents of change • use the avenue for performing financial intermediation in underbanked areas • act as meaningful agents between banks and the poor • perform role as propagators of innovative financial services and delivery approaches".

Source: NATIONAL BANK FOR AGRICULTURE AND RURAL DEVELOPMENT (n.d.): Self-Help Group – Bank Linkage Programme. Fostering the confidence of empowerment among the poorest of women. Ahmedabad: National Bank for Agriculture and Rural Development (modified)



Fig. 2.7 „Very poor people can save small amounts.“ Source: NABARD (n.d.): Banking with Self-Help Groups: 4

Facilitators of SHGs. Underlying the idea of microfinance Self-Help Groups is the acknowledgement that “very poor people can save small amounts (Fig. 2.7). Like the little drops of water making an ocean, their savings will slowly grow into large sums”. Experience has shown that over time, SHGs have been able to save hundred thousands of Rupees this way (NABARD n.d.: Banking with Self-Help Groups: 4).

Facilitators who help to form SHGs can be:

- retired school teachers or retired government officials who are well known locally
- health workers/field officers/staff of development agencies or departments of the State Government.
- field functionaries of NGOs
- unemployed educated local people with the desire to help others
- women (in particular in forming female SHGs, see Fig. 2.8).

Usually, one of the three following institutions can help:

- a voluntary organization or an NGO
- the development department of the State Government
- the local branch of a bank (NABARD n.d.: Banking with Self-Help Groups: 5-6).

SHG membership. There are several conditions concerning SHG membership:

- only one person per family can become a member of a SHG. This ensures a greater number of families per SHG.
- groups should be same sex. Mixed groups are not encouraged. Women’s groups have been found to perform better: not only are they generally better at saving, but they often ensure suitable use of loans.



Fig. 2.8 „SHGs are small groups of small people. They help each other to solve their problems.“ Source: NABARD (n.d.): Banking with Self-Help Groups: 3

- members should have the same social and financial background. This makes it easier for the members to interact freely with each other. SHG members are generally men and women from very poor households.
- potential members depend on moneylenders even for daily necessities
- their per capita does not exceed 250 Rs per month
- owners of dry land do not have more than 2.5 acres (NABARD n.d.: Banking with Self-Help Groups: 7-8).

Common living conditions of SHG members are (NABARD n.d.: Banking with Self-Help Groups: 8):

- non-permanent houses
- no access to safe drinking water
- no sanitary latrine
- high unemployment (all or all bar one member of the family unemployed)
- presence of illiterate adults in the family
- presence of an alcoholic or drug addict in the family or a member suffering permanently from prolonged illness
- presence of children under five years old in the family
- two meals or less per day
- members of the Scheduled Castes or Scheduled Tribes.

Meetings. The SHGs are encouraged to meet weekly or at least monthly (Fig. 2.9 and 2.10). This is considered necessary for bonding and generating greater awareness of each other’s needs and problems. Attendance is compulsory, and membership registers as well as books with the proceedings of the meetings,

names of the members, etc. are to be kept up-to-date. A **savings and loan register** is used to record savings of each member and of the group as a whole. Details of individual loans, repayments and interest collected are noted (NABARD n.d.: Banking with Self-Help Groups: 9).

Linking SHGs to banks. After one to two meetings, a SHG has generally collected a small savings amount. A savings bank account can be opened in the name of the SHG – not in the name of individuals (Fig. 2.10). The Reserve Bank of India has issued instructions permitting banks to open bank accounts for SHGs. Two to three months after a bank account has been opened, the SHG can consider lending to its own members. The group itself decides the purposes, terms and conditions for lending to its members. This includes setting a rate of interest. The usual interest rate is at 2-3 Rs per hundred Rs per month. This initial phase may be seen as an inauguration into financial transactions through learning by doing. How well the group does here has an influence on whether a bank will extend credit to them or not. The criteria banks apply for assessing and rating SHGs concerning credit eligibility are summarized in Tab. 2.3 below (NABARD n.d.: Banking with Self-Help Groups: 12-14).



Fig. 2.9 SHGs meet regularly. Source: NABARD (n.d.): Banking with Self-Help Groups: 11



Fig. 2.10 Linking SHGs to banks. Source: NABARD (n.d.): Banking with Self-Help Groups: 11

Tab. 2.3 Check list for bank assessment of SHG performance

	Factors to be checked	Very good	Good	Unsatisfactory
1	Group size	15 to 20	10 to 15	Less than 10
2	Type of members	Only very poor members	2 to 3 members not very poor	Many members not very poor
3	Number of meetings	4 meetings per month	2 meetings per month	Less than 2 meetings per month
4	Timings of meetings	At night or after 6 p.m.	Mornings between 7 and 9 a.m.	Other timings
5	Attendance of members	More than 90%	70 to 90%	Less than 70%
6	Participation of members	Very high level of participation	Medium level of participation	Low level of participation
7	Savings collection within the group	4 times per month	3 times a month	Less than 3 times a month
8	Amount to be saved	Fixed amount	Varying amounts	-----
9	Interest on internal loan	Depending on the purpose	24 to 36%	More than 36%
10	Utilization of savings amount by SHG	Fully used for loaning to members	Partly used for loaning	Poor utilization
11	Loan recoveries	More than 90%	70 to 90%	Less than 70%
12	Maintenance of books	All books are regularly maintained and updated	Most important registers (minutes, savings, loans etc) are updated	Irregular in maintaining and updating books
13	Accumulated savings	More than 5000 Rs	3000-5000 Rs	Less than 3000 Rs
14	Knowledge of the rules of the SHG	Known to all	Many members know the rules. Some have little knowledge of it.	Not known to all
15	Education level	More than 30% of the members can read and write	20 to 30% of the members can read and write.	Less than 20% know to read and write
16	Knowledge of Government programs	All are aware of Govt. programs	Many members know about Govt. programs	No one knows.
Evaluation				
SHGs with 12 to 16 “very good” factors may be granted loans immediately .				
SHGs with 10 to 12 “very good” factors may be given 3 to 6 months time to improve before loan is given.				
SHGs with a rating of less than 10 “very good” factors need not be considered for loan.				

Source: National Bank for Agriculture and Rural Development (n.d.): A Handbook on Forming Self-Help Groups (SHGs): 18. Ahmedabad: National Bank for Agriculture and Rural Development (modified)

2.6 Government assistance of Self-Help Groups – the implementation

According to U.S. Shevde, General Manager of Microfinance, State of Gujarat in 2008, three major programs deal with microfinance in the micro enterprise sector. These are implemented by the Government of Gujarat, the Government of India and NABARD (pers. comm. 8th Oct. 2008, General Manager of Microfinance). Selected aspects of each program are presented below, as explained by U.S. Shevde (Points 8.1-8.3).

2.6.1 Support of Self-Help Groups at state level (Gujarat)

The Government of Gujarat runs a program called “**Sakhi Mandal**” which supports SHGs with particular emphasis on capacity building. If, for example, ten women form a SHG and start saving together for six months, they are awarded a Revolving Fund Assistance of 5000 Rs. Thus, if they have managed to save 3000 Rs during the previous six months, the additional 5000 Rs would increase their savings to 8000 Rs.

With the relatively large amount of money granted to them in the form of the Revolving Fund Assistance, the SHG has enough to immediately start giving members credit, be it for consumption, medical purposes, child education etc. Thus, the savings can be revolved amongst the members far quicker than if they had had to save the full amount themselves. An opportunity is thereby created for members to learn to maintain the fund, do accounting, calculate interest, keep repayment deadlines and to make decisions concerning money. The group interest rate may be around 25%, which seems very high, but this is not the way the women see it. They understand that for 100 Rs they take per month, they have to pay 2 Rs extra that go to the group fund. This monthly interest of 2% amounts to an annual interest of 24%.

After 12 months, it is assumed that the SHG members have had enough time to learn how to manage money. NGOs and state institutions are generally willing to give further support at this point. Meetings will be held to assess the registers and accounting. If required, links to the banks are established. The first credit granted generally reflects the amount that the members have been able to save. Thus, if 10 000 Rs has been put aside, the bank will grant a loan of 10 000 Rs. With grants of this order, entrepreneurial activity can be targeted. The members might plan to start up businesses in, for example, tailoring, buffalo husbandry and milk products or trading. Once this initial loan has been repaid, the confidence of the bank in the SHG will grow and credit may be granted on a basis of 1:2, 1:3 or 1:4. The element of peer pressure in this process is very important:

only one member borrows from the bank, but the whole group is responsible for the repayment of the loan. If that one member cannot pay back, the other members of the group will be denied access to bank credit.

This program was initiated in 1992 and targets women, men and farmer groups of the poor income level, regardless of caste. According to Shevde of NABARD (pers. comm. 8th Oct. 2008), most current groups are solely female (95%) because the women proved to be more careful when it came to money; they are generally more diligent about repayment and their entrepreneurship qualities are better. The NABARD representative underlined that the husbands/the head of the family still has a say in how the credit should be spent, as this is part of the Indian culture. However, the women were being given an opportunity to develop managerial skills as they need to organize meetings, manage discussions, keep accounts, respond to official documents, and so on.

2.6.2

Support of Self-Help Groups at national level

The Government of India established the **District Rural Development Agency (DRDA)** in 1993, targeting Below Poverty Line (BPL) cardholders. A census is carried out every 5 years to determine BPL individuals, and only women registered on this list are eligible for the Government-aided microfinance program. The starting point here too, is a SHG group that saves small amounts for six months. If assessed as functioning well, the group receives a Revolving Fund Assistance total of 25 000 Rs, 15 000 Rs of which as a non-repayable subsidy and 10 000 Rs as a bank loan. Only the bank loan needs to be repaid. The incentive here is that if the group manages their finances well for a further 6 months, they will be awarded a second subsidy of 15 000 Rs. After a 12 month period, IGAs are introduced into the group. During the period after the first Revolving Fund Assistance, the group decides on the kind of activities they would like to do by the time they get the second funding. They might decide to do traditional activities, such as dairy products, which do not require extra training, but if they would like to start up new businesses, the government funds training during this period through the DRDA and helps the members put together a business project proposal. There are three main issues taken into consideration:

- the availability of local raw material
- in-built skill
- a context-specific market analysis.

After the first year, the group is eligible for a second subsidised bank loan. The DRDA subsidizes this amount to a maximum of 125 000 Rs or 10 000 Rs per group member. This means that the group does not have to pay the bank loan back in full. However, the bank demands for this loan a business project proposal for each business that the group members wish to establish. Here too, the group is supported by appropriate DRDA programs (SHEVDE, U.S, pers. comm. 8th Oct. 2008).

2.6.3 Support of Self-Help Groups by NABARD

NABARD aims to support SHGs through capacity building of individuals and institution building (NGOs). It does not work with the SHGs directly and does not grant subsidies. Further, it targets those marginally above the poverty line, those who are still poor and need support. It engages the services of NGOs, Voluntary Agencies (VA), Government departments, banks and individuals.

NABARD works together with more than 900 NGOs nationwide, of which 140 are in Gujarat alone. It explicitly seeks collaboration with small NGOs as well. NGOs and VAs need to register under a Trust or a Society Act before applying for NABARD funds for specific projects. They might, for example, write a proposal stating how many SHGs they would like to form and support in a particular area. They would agree to three years of account auditing. Infrastructure, computers, vehicles and human resources need to be documented. Attention is paid to proper maintenance of data bases and adequate number of staff for effective support of the SHGs. Per SHG, an NGO receives 3000 Rs from NABARD. NABARD prescribes certain returns of investment and also relies on past experience when granting funds. Most NGOs do not work with NABARD alone.

There are remote and marginal areas where no NGOs have been established. NABARD, in such cases, encourage the banks to “play the role of an NGO, spend time talking to the people”. NABARD in return finances the time spent. Per SHG established, the bank is given 1500 Rs. This is less than an NGO receives, on the grounds that banks do not do a full-time NGO job (SHEVDE, U.S. pers. comm., 8th Oct. 2008). If the bank is not willing to establish SHGs themselves, they are encouraged to find individuals who would be willing to do so. These individuals might be staff members of the bank, school teachers, state employees etc. The bank is given 400 Rs for each SHG initiator and the initiators themselves receive the rest (1100 Rs). NABARD prescribes a 2 year-timeframe for SHG initiation. It is a slow process, because people have to be convinced to form a group and then eventually start their own multiple enterprises.

Apart from SHGs, Joint Liability Groups (JLGs) can be formed. Whereas SHGs start by saving money and building up a saving corpus, JLGs have no savings; they are a credit based group. If they need money for an activity, they have to give a guarantee to the bank to receive a group loan. However, they do not need to give collateral security. It is possible for JLGs to get credits up to 500 000 Rs. Whereas the bank gives the loan at 11%, the private circulation may be at 24%. This profit of 13% goes to the group. It is the group who decides what to do with the money.

Thus, there are basically two models of bank support of SHGs: either a bank gives directly to SHGs, or a bank gives Revolving Fund Assistance to NGOs who give this to SHGs. Generally, the banks do not want to deal with many different groups because of the extra administrative work, they prefer to work with a federation of groups. If, for example, a federation has 100 SHG members, it would select one representative per 10 groups. The bank would communicate directly with the 10 representatives of that federation.

If an NGO wants Revolving Fund Assistance from NABARD, two aspects are important: the size of their business, i.e. number of SHGs they are in contact with, and the number of loans granted. The loan from NABARD is at usually 6-7%, sometimes at only 3.5% interest. It is called a “soft loan” because other banks would only give credit at 12-14%. NABARD is thus careful about the partners it works with. NABARD defines mature SHGs are those that have been operating for a minimum of two years and have received credits from banks two to three times. Mature NGOs are defined as having existed for a minimum of 8-10 years. The credits are project-based and granted with institution-building measures in the form of guidance and assistance in mind. Besides agreeing to annual reviews of balances and reports, there are several sets of criteria that an NGO has to fulfill:

- rating criteria, including capacity building
- application criteria for capital grants
- SHG criteria.

Besides microfinance, NABARD is also active in other major fields, such as the Rural Entrepreneurship Development Program (REDP) in the non-farming sector. REDP was initiated to combat widespread unemployment in rural areas. It creates opportunity for training and wage employment or supports business startups based on market analyses. This enables specific trainings to be offered for services that are needed, but not available, e.g. a mobile repair shop or a tailor shop for repairing school uniforms. NABARD focuses on three different branches: agriculture, small-scale industries (SSI) and the processing sector. The entrepreneurship focus in general is on rural areas with the greatest needs and then semi-rural areas. Urban areas are not a priority because of greater employment opportunities here (SHEVDE, U.S., pers. comm. 8th Oct. 2008).

Since the 1990s, India has seen a shift of emphasis away from a policy of neglect of the micro enterprise sector towards assistance. The country has seen increasing concern for the needs of this sector and major institutional and operational efforts. The micro enterprise sector today is no longer neglected by official policy as it was in 1972 when major ILO studies drew attention to the informal sector and its value in the national economy and society. However, there is still much that needs to be done in a country of this size where the majority of employed are in the micro enterprise sector.

3 Study areas in the State of Gujarat

“Hazards are natural. Disasters are not.”
(BANKOFF & HILHORST 2007: 2)

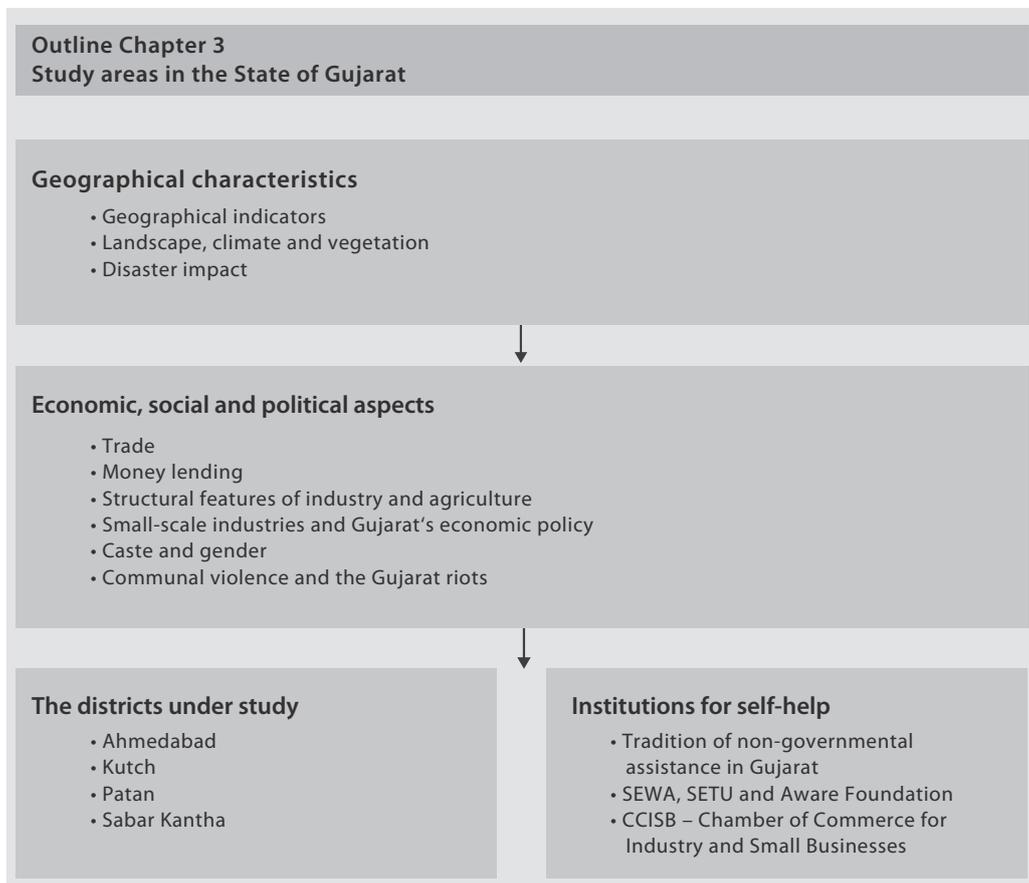


Fig. 3.1 Outline Chapter 3. Source: Author's design

The following chapter focuses on the research areas in the State of Gujarat with reference to both

- geographical and physical study areas (i.e. geographical characteristics, disaster impact, districts)
- and conceptual study areas (historical, economic, political or social aspects, credit systems, as well as NGO approach).

This sets the scene for the survey work and explains the spatial differentiation and diversity of constraints that not only impact the people and their communities now, but have also determined their individual paths of development.

3.1 Geographical characteristics

Geographic indicators. Gujarat is situated on the west coast of India, sharing a border with Pakistan. It covers 196 000 sq km, which makes up 6% of the total area of the country (Fig. 3.2). The state's coastal line is nearly 1600 km long and the longest of all states of India. Of its 25 districts, the District of Kutch is the largest, accounting for 45 652 sq km. The districts are subdivided into 226 "Talukas" (an Indian administrative entity) with a total of 18 618 villages and 242 towns. The state's population is at 50 Mio., of which 27 Mio. live in rural areas, 14 Mio. in bigger cities and the others in smaller towns. The population density was at 258 people per sq km in 2001. The rural birthrate is at 30:1000, the urban rate at 27:1000, with an infant mortality of 72:1000. 89% of the people are Hindus, Muslims accounting for 9% of the population, Christians for 0.4%, Sikhs for 0.1% and Jains for 1.5%. The principal language is Gujarati. The state capital is Gandhinagar, located 20km north of Ahmedabad (BRADNOCK 2002: 1262; REIFELD 2003: 54; www.gujaratindia.com, 2nd April 2009).

Apart from Maharashtra, Gujarat is the most urbanized state of India. The life expectancy (61.5 years for men, 62.7 years for women) is above the Indian average. Although Gujarat is one of the most prosperous states of India, an estimated 26.7% of the population lived below the poverty line in 2003, and the state's Human Development Index is proportionally low. Whereas the male literacy rate is at 70%, the female literacy rate is only at 48%. Together with Bihar and Haryana, Gujarat is one of three states in India with a declining gender ratio; Gujarat has 921 women per 1000 men (world average: 1060 women per 1000 men). Gujarat has the largest number of Muslim communities in India – more than even Jammu and Kashmir. Sadly, it also ranks first within India when it comes to casualties from communal violence, with 117 fatalities per 1 Mio. within the urban population. Also economically, Gujarat is losing ground, with unemployment on the rise (+30% between 2000 and 2003, the period of heavy riots) (REIFELD 2003: 54-55; YAGNIK 2005: 3).



Fig. 3.2 The State of Gujarat within India. Cartography: L. BAUMANN; database: www.mapsofindia.com 2009; modification: N. SLIWA

Landscape, climate and vegetation. There are three natural landscape divides in Gujarat: the Peninsula of Kutch and Saurashtra and the North-East region (PRAKASHAN 2007: 7). Kutch, on the north-west border, has a central ridge of Jurassic sandstone with underlying basalts. It rises to almost 300 m and is mostly desert area. To the north of the ridge is the Great Rann of Kutch, a salt marsh of 20 700 sq km, and to the south is the Little Rann. During summers, Kutch becomes a dusty plain, but during Monsoon, the Rann floods and makes the District of Kutch an island (BRADNOCK 2002: 1264), as is illustrated in Fig. 3.3, showing the situation in Kutch during the Monsoon of 2003.

Saurashtra is a basalt platform of 430 km length, 320 km width and a maximum height of 180 m (exceptions: Rajkot 335 m, Gir Range: 640 m). To the



Fig. 3.3 The flooding of Kutch during Monsoon, as seen in 2003 by the NASA satellite. Source: www.earthobservatory.nasa.gov/NaturalHazards/, 2nd July 2009

east are limestones and clays which are widely used. North-east Gujarat is the continuation of central Kutch and marked by small plains and low hills. The Narmada River rising in Madhya Pradesh is the most important river of Gujarat, with a length of 1310 km, of which only 160 km run through the State of Gujarat itself. The river has deposited large quantities of alluvium that have turned the agricultural land fertile (BRADNOCK 2002: 1264; PRAKASHAN 2007: 15).

A large part of the State of Gujarat, with the exception of the coastal belts, falls into the Torrid Zone, since the Tropic of Cancer passes through the center of the state. The maximum temperatures are reached in May, with 40-43° C in the northern and central parts, and 31-33° C in the coastal areas. Temperatures

fall with Monsoon starting in the month of June and rise again after Monsoon ends in September until October. January is the coldest month, with maximum temperatures of 8-10° C in the north-west region and with 11-15° C in the other parts of the state. 95% of Gujarat's precipitation falls during the second week of June and the second week of September due to the seasonal winds blowing from the south-west. 16 out of 25 districts experience paucity of rains, leading to regular droughts and famine conditions. The average number of annual rain days is 42 in central Gujarat but only 23 in Saurashtra and Kutch (PRAKASHAN 2007: 10). Due to the fact that the State of Gujarat is only reached by the periphery of the main current of the south-west Monsoon, rain amounts vary greatly: from an average of 900 mm in the city of Ahmedabad to a recorded minimum of under 25 mm in the District of Kutch (BRADNOCK 2002: 1264). In detail, the climatic zones of Gujarat can be described as follows (VERHAGEN & BHATT 2006: 44):

Tab. 3.1 Climatic zones of Gujarat

Climate	Region
Sub-humid	South Gujarat (South of Narmada)
Moderately humid	Central Gujarat (between Narmada and Sabarmati)
Dry and sultry	South – coastal region of Saurashtra
Dry	Region of Central Gujarat
Arid and semi-arid	North Gujarat, Kutch

Source: VERHAGEN & BHATT 2006: 44

The implication is that much of the state is arid and suffers from prolonged droughts which contribute to the vulnerability of poor people both in rural areas, where farmers are affected, and urban areas, where food prices are impacted.

In Gujarat, forests cover 10% of the total state area, in particular in North Saurashtra and South Gujarat. The state's vegetation can be classified into (PRAKASHAN 2007: 12):

- scrub vegetation of the Torrid Zone
- water-plants
- grasslands – savannah
- mangroves located at the sea-coasts
- dry regions
- savannah forest lands.

Deciduous trees are common where local rainfalls reach 1000 mm, or in the vicinity of rivers, such as in the Districts of Surat, Valsad and Dang. Species include teak, axlewood and butea gum. The East coast produces paper reed (BRADNOCK 2002: 1265). Despite unfavorable geographic and climatic conditions, Gujarat is mainly an agricultural state, with 48% of its population depending on agriculture for their livelihood (PRAKASHAN 2007: 96, see 3.3).

The geographic conditions of the State of Gujarat are part of the causes of vulnerability that particularly effect the very poor. The other aspects mentioned below – natural hazards and disasters, historical, economic, political and social aspects – further compound vulnerability. Each of them is discussed in turn.

3.2 Disaster impact

Disaster – terms, concepts and perspectives. Like the whole of India, the State of Gujarat is prone to multiple disasters. The majority of micro entrepreneurs questioned for this study had been heavily affected by various disasters. A disaster may be defined as “a serious disruption of the functioning of society, causing widespread human, material and environmental losses which exceed the ability of the affected society to cope using its own resources”. By contrast, hazards are defined as “phenomena that pose a threat to people, structure, environmental resources and economic assets, which may cause a disaster” (SINGH 2006: 5). Hazards, then, are not per se a disaster, but “a disaster is a product of hazards” (such as earthquake, floods or cyclones), coinciding with a vulnerable situation (SINGH 2006: 7). Disaster risk, then, can be described as a function of hazard, vulnerability and adaptive capacity (based on SINGH 2006: 7):

$$\text{Disaster risk} = \text{hazard} + \text{vulnerability} - \text{adaptive capacity}$$

Disasters strike with sudden violence and have multidimensional impacts. However, natural phenomena such as earthquakes only become a disaster when something is exposed to it, damaged or destroyed. The damage caused by a disaster is determined by the interaction between the impact, intensity and characteristics of phenomena on the one hand, and by how people, infrastructure and environment are affected, respectively by how people deal with it, on the other hand (based on SINGH 2006: 7). This interaction is illustrated in Fig. 3.4.

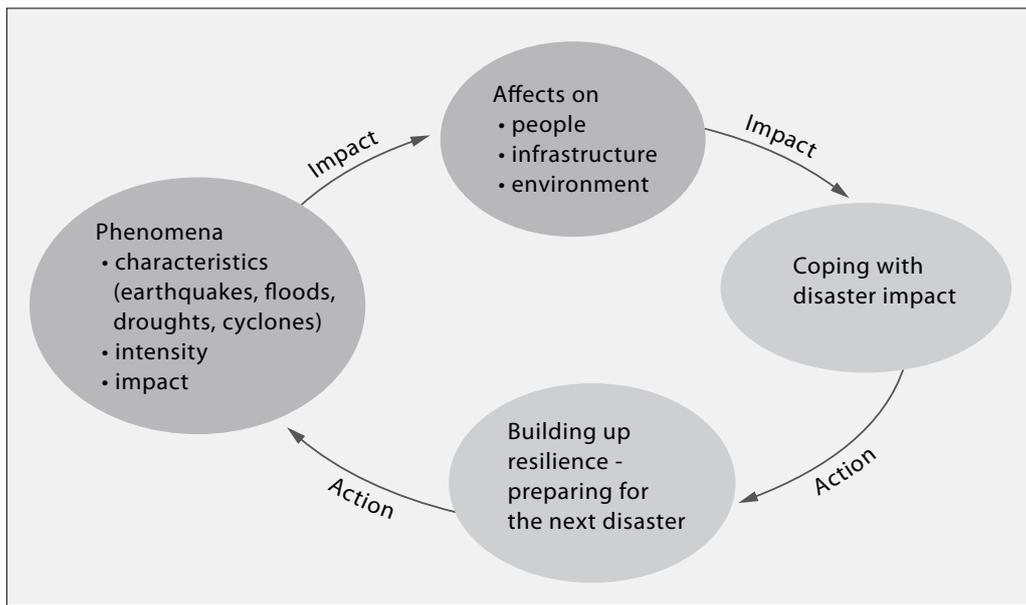


Fig. 3.4 Disaster as an interaction between impact and action. Concept: N. SLIWA

Disasters are not just occurrences of a force external to human control or a result of calculated risk. Rather, disasters have social, political and economic components. Instead of perceiving disasters as “single events”, they should be seen as a long-term process involving vulnerability, resilience, preparedness and recovery (HANDMER & DOVERS 2007: 4). Fig. 3.5 illustrates this conceptual framework.



Fig. 3.5 Long-term process from disaster to resilience. Concept: N. SLIWA, based on HANDMER & DOVERS 2007: 4

However, the conceptualization of disaster processes, and consequently, disaster management priorities vary between developed and developing countries, as Tab. 3.2 outlines:

Tab. 3.2 Priorities of disaster management in developed and developing countries

Developed country	Developing country
Prediction	Rescue
Preparedness	Recovery
Prevention	Relief
Participation	Rehabilitation
Publicity through media	Reconstruction

The shift from mere disaster response, which is a short-term, reactive perspective, to long-term, active risk reduction based on a preparatory approach, is essential. A “culture of prevention, of preparedness, of strategic thinking, but also of quick response” has to be installed (SINGH 2006: 34-35). Obviously, a disaster occurrence gravely affects normal life and even destroys livelihood. However, from a long-term perspective, disaster occurrence can also be perceived as a starting point, with different possibilities of development and respective outcomes. These different possibilities are described hereafter and illustrated in Fig. 3.6 (based on SADHU, H., pers. comm., Sept. 2008):

- **Long-term recovery** can be achieved if one has savings that soften the immediate loss of income and disaster impact, and if one can rely additionally on microfinance or micro insurance schemes. Such a triple shield of savings, microfinance and micro insurance can even lead to an improvement of the situation before the disaster.
- **Increased vulnerability**, in contrast, is an outcome of disaster if one has to rely on credit rather than own resources to soften the blow. Due to the paperwork involved with borrowing from banks (an off-putting aspect for poor disaster-affected people), many turn to private money lenders with exorbitant interest rates. This may start a vicious cycle of borrowing for survival, and borrowing again to pay back interest rates and loans.

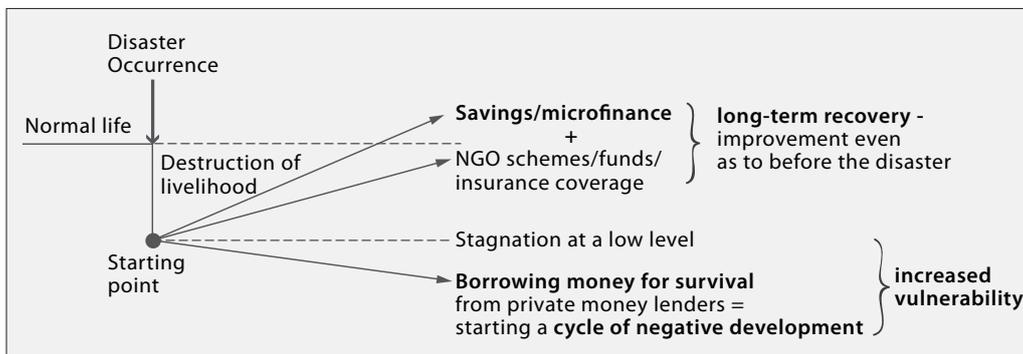


Fig. 3.6 Disaster occurrence as a starting point of development with different outcomes

Concept: N. SLIWA

Explanation: When disaster occurs, there is a break in normal life – the starting point after a disaster for those affected is often way below their former life. With their livelihoods destroyed, several options are available: (1) they can stagnate at a low level or (2) borrow money from private sources which increases their vulnerability and financial dependence. In a situation like this, it is likely that those affected will never reach their former living standard again. (3) Alternatively, an NGO provides some funds, be it a short-term relief fund or insurance money – if the disaster-affected poor were covered by insurance prior to the event. This may gradually lead the affected back to a normal life. The best option, however, is (4) to engage persons in savings groups and microfinance schemes which is the fastest way to help them raise their own funds through collective action, for example, by rotating savings and credit funds. Such a long-term approach is likely to lead back to normal conditions and possibly even to an improvement of pre-disaster conditions. This is exemplified in the case studies discussed in chapter 4.

Disasters in Gujarat. One can distinguish between three major disaster categories in Gujarat. Reference is made here to disasters rather than hazards, as hazards in India usually turn into disasters, due to the high vulnerability of large segments of society. These disaster categories are:

- physical/natural disasters such as earthquakes
- disasters linked to climate variability, such as drought, floods or cyclones (AHMED et al. 2007: 7)
- man-made disasters such as communal riots, where certain population groups, for example, the Muslim minority in Gujarat, are targeted specifically in communal violence. Since this type of man-made disaster has its origin within society itself and not in geographical factors, it needs a different approach to description and is thus not included in the table below.

The disasters related to the state's geographic location and physical characteristics are shown in Tab. 3.3. The four main types of recurrent natural and climate variability disasters in Gujarat are presented below in the form of a hazard risk map (Fig. 3.7).

Disasters are a “whole-of-society-problem” (HANDMER & DOVER 2007: 26). However, it is generally the poorest of the poor who are the affected worst, not because of their exposure to natural hazard, but because of a life on the brink of society. This situation creates a condition of permanent emergency (BANKOFF

Tab. 3.3 Main recurrent disasters in Gujarat and their geographical origin

Type of disaster	Geographical origin
Earthquake	The state's earthquake belt runs through two broad zones: one to the north, cutting the Great Rann, and one to the south, running through the populated zones of Kutch's mainland. In this area, the Indian plate moves north-east and pushes the Eurasian plate, causing faults and tremors (DEVI 2005: 162). This part of Gujarat has been declared Zone V – the highest earthquake risk zone – by the Indian authorities.
Drought	Rain paucity in 16 of 25 Districts of Gujarat and a predominantly arid and semi-arid country-side cause regular drought events leading to famine conditions, as a large share of the population depends on agriculture for a living. The State of Gujarat is classified as "severely drought prone", due to rainfall deficiency of more than 50% in some of its areas (DEVI 2005: 163).
Floods	Floods are the most frequent and damaging disaster event in Gujarat. Average rainfall in the state has increased from 646 mm in 2002 to 1149 mm in 2006 Their impact in the short-term (loss of land, homes, income and food) and in the long-term (stagnant waters and epidemics) (AHMED et al. 2007: 17).
Cyclones	With the longest coastal line of all states of India (1600 km), and its southern coastal plain touching the Gulf of Kutch in the south and the Arabian Sea in the west, Gujarat has a high chance of being affected by wind storms and cyclones (DEVI 2005: 162-163). Cyclones are 150 to 1000 km wide and 10-15 km high, with winds of 150-250 mph, moving 300 to 500 km per day. Apart from floods, cyclones are the most frequent disaster in Gujarat (AHMED et al. 2007: 22).

Source: own résumé. Used literature is indicated in the table.

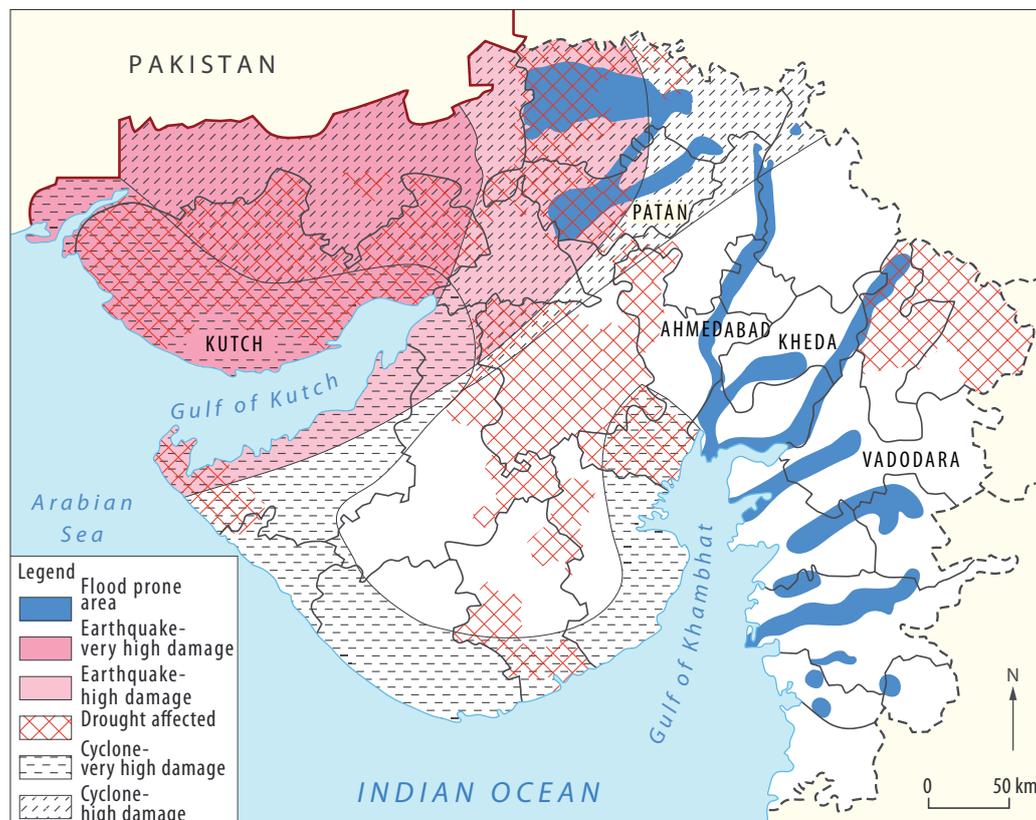


Fig. 3.7 Natural disasters in the State of Gujarat. Concept: N. SLIWA, C. SAALFRANK; cartography: L. BAUMANN. Compiled from various maps on www.mapsofindia.com, GSDMA (Gujarat Disaster Management Authority).

2007: 30) and makes them more vulnerable and less resilient to recurring disasters. “Disaster preparedness is about managing the unknown, not a science, but a social behavior that is responsive, predictive and imaginative” (Down to Earth 2005: 27, cit. in AHMED et al. 2007: 1). Since disaster of some form is so prevalent in Gujarat, this study explicitly included disaster impact and preparedness into the survey.

3.3

Relevant economic, social and political aspects

The following subchapter deals with four social aspects considered of relevance for this study:

- trade and economic self-organization as outstanding qualities in the history of Gujarat and the tradition of money lending
- economical structure and economic policies of Gujarat
- social structures
- political events, such as the rise of the Bharatiya Janata Party (BJP) and the ongoing violence against Muslims.

3.3.1

Economic aspects

Trade. Doing research on micro enterprises in Gujarat is particularly interesting because the state has a history of trade and small-scale production and related organizational structures that have had important functions in society. Today’s call to organize micro entrepreneurs of various business directions is not foreign to the society and culture of Gujarat. The strategic location of Gujarat within Asia allowed interregional and overland trade within Asia, on the one hand, and the long coastal line with numerous ports laid the basis for maritime trade with communities on the Arabian Peninsula, on the other. The 15th century Portuguese traveler Tomé Pires summarized the trading structure of Gujarat as follows (cit. in YAGNIK & SHETH 2005: 20): “(Gujarat)...stretches out two arms, with her right arm, she reaches out towards Aden, and with the other towards Malacca.”

For almost a thousand years, merchant communities of different religions, such as Hindus, Jains, Muslims (arriving in Gujarat as early as in the 7th century) and Parsis, have dominated the economic and social life of Gujarat (YAGNIK & SHETH 2005: 19,39). What is remarkable is the broad social basis of the merchant community of Gujarat, going beyond the caste boundaries that usually dominate Indian society (Prof. VASAVADA, pers. comm., 16th Sept. 2008). The social expansion of trade began in the 8th century when different high-level castes, such as the Kshatriyas (warrior caste), the Rajput (royal caste) and even the Brahmin caste, the highest of all castes, associated with religious life and ceremonies, became involved in trade and commerce. The Muslim communities of Gujarat

– partly consisting of converts – also turned to trading, improving their status in the Islamic reign of the Mughal period from the 15th century onwards (YAGNIK & SHETH 2005: 23-26). Some Muslims even became consultants of the Mughal emperor Akbar. From early on, business associations were formed, and families like the Sarabai were comparable in their approaches to the Medici family in Italy (Prof. VASAVADA, pers. comm., 16th Sept. 2008). Codes of ethical business conduct were introduced in the 11th century, emphasizing the importance of peace as a condition under which businesses could prosper. This was also the foundation of an ethics of non-violence that Mahatma Gandhi, himself a native of Gujarat, applied (YAGNIK & SHETH 2005: 30-31).

Money lending. Just as trade has a tradition in Gujarat, so to is the practice of money lending “centuries old” (OZA, S., pers. comm., 7th Oct. 2008). Money lending was mostly an activity of the Vaniya caste (business keepers and money lenders). With time, they gained a reputation as usurers, exploiting the poor at the worst (YAGNIK & SHETH 2005: 34-35). To this day, the poor are exploited through wide-spread “private money lending”. An interest of 60% is common with someone borrowing, for example, 10 Rs in the morning to buy food or business items and having to pay back 16 Rs by the evening. Another way of exploiting the poor is to charge no interest but to engage services of the borrower for free for a whole life-time (BHAT, R., pers. comm., 15th Sept. 2008). The following excerpt illustrates this exploitation through money lending. It is from a prize-winning essay written in 1852 by a newly literate student from a farming community (cit. in YAGNIK & SHETH 2005: 35-36):

“The three powerful people in villages – the village revenue officer, the village headman and the village Vaniya (note: a particular caste commonly associated with money lending) – all of them loot the farmer in many ways...When there is a wedding in the family, the farmer goes to the Vaniya and borrows 75 or 100 rupees and signs for 125 rupees. This is because the Vaniya lends money at high rates of interest and there is no one else to borrow from. So the farmer has no choice but to pay about 3 or 4 rupees per 100 every month. He has no choice but to accept these terms. He mortgages his cows, buffalos, bullock carts, goats, fields and the grain in the fields and virtually signs away his life. With such a loan he happily celebrates the wedding. When it is time to pay the annual tax to the government, he again takes a loan. Then come household expenses – his wife takes jaggery, turmeric, coconuts, chillies etc on credit from the Vaniya’s shop. The Vaniya gives goods worth one paisa but writes a credit of two paisa in his books...To repay the loan, the farmer gives grain from his fields to the Vaniya who does not record it in his books. After some

days the Vaniya goes to the farmer to collect his money and the farmer says that to clear the principal loan he had been sending grain and all that remains is the interest which he would pay. To this the Vaniya replies that no grain has reached him and demands to see the proof that the farmer had indeed sent grain. And of course the farmer has no proof because he does not know how to read or write or keep accounts. So he is not in any position to show accounts; all he can give is his verbal account. The situation soon comes to blows and the Vaniya complains to the headman who issues summons to the farmer and begins an inquiry into the matter. The farmer describes how he has been sending grain to the Vaniya every year, towards repayment of the loan. Then the Vaniya presents his books and shows that no grain has been received. Based on this, the headman rules in favour of the Vaniya and issues orders to confiscate the farmer’s house, fields, household goods, plough, bullocks and all his goods. The Vaniya auctions these and recovers his money. And in this way, thousands of farmers and their families are reduced to beggars and forced to migrate.”

Box 3.1 Traditional money lending practices. Source: Bhoola Varajbhai, 1852, publishing in the Gujarat Vernacular Society, in: YAGNIK & SHETH 2005: 35-36

This excerpt was cited in full length to highlight two things:

- Firstly, money lending practices towards the poor and lending purposes (social expenses such as weddings) have not changed much since, as will be shown later in the case studies.
- Secondly, this excerpt establishes the prevailing link between the illiteracy of the poor and their financial exploitation. Without the ability of keeping accounts, calculating their debts or documents, the poor are victims of malign practices. New traditions have to be promoted to defy and break such ancient vicious cycles, and this is where NGOs, among others, have a role to play.

Structural features of industry and agriculture. There are two main structural – if not contradictory – features in the state’s economy: Gujarat is one of the most industrialized states of India and has, since its creation in 1960, boasted higher economic growth than elsewhere in India (HIRWAY 2002: 3, 9). However, Gujarat is still predominantly agricultural, with 48% of its population depending on farming activities for survival (PRAKASHAN 2007: 96). During the past decades, the state economy has been experiencing structural change. Although the economy of Gujarat consistently grows, this growth only applies to the secondary and tertiary sector; in the primary sector, in particular agriculture, the economy is on the decline (HIRWAY 2002: 5). The share of the main economic sectors in the Gujarat State Domestic Product (GSDP) in 2006-2007 shows the following pattern:

Tab. 3.4 GSDP of Gujarat 2006-2007, by main sectors

Industry	GSDP in 2006-2007 in %
Primary	18.22
Agriculture	15.29
Secondary	37.78
Manufacturing	29.89
Tertiary	44.00

Source: Socio-Economic Review 2007-08: 6, www.gujaratindia.com, 15th June 2009

The table shows that although nearly half of the population of Gujarat depends on agriculture, this sector makes up only 15.29% of the state’s Gross Domestic Product. Low productivity and low income in this sector are related to each other. The growth of this sector in the 1960’s and 1970’s was mainly due to extensive cultivation and expanded irrigation as well as to the Green Revolution.

Agriculture is now lagging behind because of saturation, limitations of extensive farming, resource degradation and lack of rainfall, as well as lack of technologies (HIRWAY 2002: 7,9). The main crops are bajari (millet), wheat and maize. Cash crops include groundnut, tobacco, cotton and oilseeds (Fig. 3.10). The State of Gujarat accounts for 20-25% of the total Indian groundnut production, but this crop depends highly on rainfalls that vary, and so its production has declined, too. At the same time, the production of cotton as cash crop has risen by 300% (2002-2006), further degrading resources (PRAKASHAN 2007: 98-99).



Fig. 3.8 Cotton fields near the village of Najupura, District of Patan, Gujarat
Photo: N. SLIWA, 11th Oct. 2008



Fig. 3.9 Close-up of cotton plants near the village of Najupura, District of Patan, Gujarat
Photo: N. SLIWA, 11th Oct. 2008

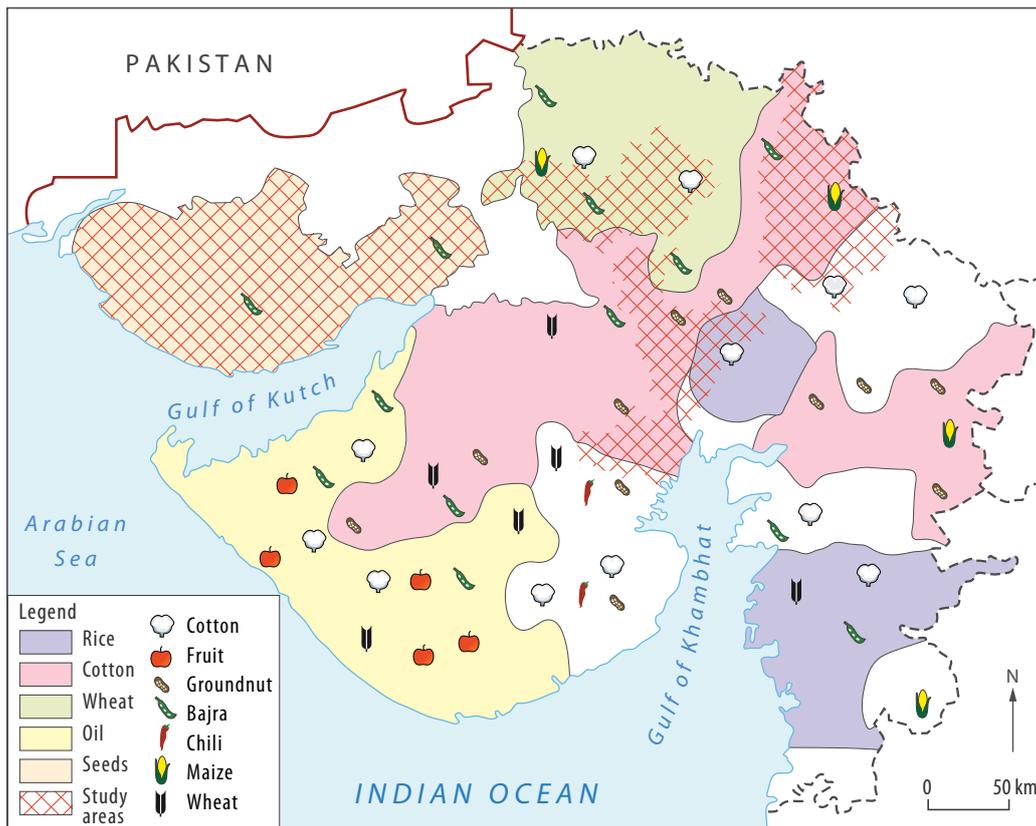


Fig. 3.10 Agricultural map of Gujarat
Cartography: L. BAUMANN; database: www.mapsofindia.com 2009; adaptation: N. SLIWA

Industries. Traditionally, Gujarat had a stronghold in textile industries, with the city of Ahmedabad being “the Manchester of India” (Prof. VASAVADA, pers. comm., 16th Sept. 2008). In the post-Independence period of the late 1970’s and early 1980’s, however, the textile industry nearly collapsed because it did not keep up with technological developments and market trends. The impact on the economy was enormous. Numerous textile mills had to close down, and 55,000 people were laid off by 1992. A third of the workers that lost their jobs in the textile industry now work in the micro sector as street vendors (STANG 2002: 127). During the 1980’s and 1990’s, industries started to gradually shift their emphasis to the production of chemicals, plastic, petroleum, rubber and cement. The growth of the tertiary sector is mainly due to an expansion of the banking and finance systems in Gujarat (KUNDU 2002: 121).

Small-Scale Industries (SSI). Although it is widely recognized that entrepreneurs play a vital role in economic development, research often focuses on large business entities, neglecting small and medium businesses. The State of Gujarat has a significant base of small-scale industries (SSI) in the fields of machinery, basic metal industries, chemical and plastic products as well as rubber. SSI are predominantly manufacturing entities, and the economic development of all states in India is determined, to a large extent, by the growth of its manufacturing industries. This underlines the importance of the SSI, for which the first program in Gujarat was introduced already in 1954. Since 1960 and until now (see 1.1), they have been defined solely by investments in plant and equipment, whereas previously, employment figures were included (SHINODA 2002: 197-198). Until the 1980’s, SSI units were more concentrated in the three industrial centers of Ahmedabad, Rajkot and Surat. Since then, they have spread to all of the districts, although these three centers still hold 46% of all SSI in Gujarat. The economic structure at the beginning of 2000 showed a rather balanced picture with capital intensive or high-tech units on the one hand, and labor intensive units on the other hand (SHINODA 2002: 197-198, 224).

Gujarat’s economic policy. Being shaped by a history of trade, the modern State of Gujarat is open to economic development and investments. To what extent Gujarat welcomes investors was underlined when Ratan Tata, who had already started building up an industrial plant in Bengal for the production of his “Nano car” – intended to be the cheapest car in the world – left the state and the plant because of political resistance, going instead to Gujarat (Indian media reports in October 2008). The Gujarat Industrial Policy of 2003 aims to create large scale employment opportunities and to achieve global competitiveness by improving its productivity. Gujarat gears towards the development of cluster industries, with 83 clusters already planned. 19 of these are currently assisted by the Government of Gujarat in terms of infrastructure, training programs and skill upgradation (Socio-Economic Review, State of Gujarat 2007-2008: 45). Parts of the state’s economic strategy are summarized in Box. 3.2:

- | | |
|---|--|
| <ul style="list-style-type: none"> • enabling entrepreneurs to easily access information • sensitizing Government officials at all levels to legitimate concerns of an entrepreneur • developing better than the best infrastructure • empowering industrial estates • producing quality human resources in accordance with contemporary requirements of industries • ensuring development and environment go hand in hand...to usher in a new area of prosperity through “<i>green wealth</i>” • developing more and more industrial clusters | <ul style="list-style-type: none"> • equipping small and medium enterprises with advanced technologies • strengthening the manufacturing base of Gujarat with high quality research and development processes • adopting focused marketing and promotion activities for creating a global brand image of products “manufactured in Gujarat” • rejuvenating the industries in Gujarat with cheap and clean sources of energy-gas • commitments to reforms in taxation • harnessing the potential of ports to be the future gateway’s of the state’s prosperity. |
|---|--|

Box 3.2 Gujarat’s economic policy of 2003

Source: Socio-Economic Review, State of Gujarat 2007-2008: 21, www.gujaratindia.com, 15th June 2009

Small-scale industries have been part of the state’s focus since 1954 and are explicitly included in Gujarat’s economic policies. Micro enterprises of the unorganized, informal sector, however, have only been officially recognized and defined since 2006, in spite of the fact that 90% of the Indian workforce is active in this sector (1.1). Considering that the Government has until recently applied a policy of neglect on an overwhelming majority of the society, it is all the more important to draw attention and do research on micro entrepreneurs and their strategies and livelihood conditions in view of supporting the establishment of better policies. “The Government is also the cause of marginalization. There is hegemony of industrialization and urbanization. Because of the industry, the middle class has become larger, particularly so in Gujarat. And this middle class is not sensitive to social problems or marginalized communities – the human dimension. They believe in growth, but not in inclusive growth in the first phase” (YAGNIK, pers. comm., 8th Oct. 2008).

3.3.2

Social aspects

This subchapter focuses on segregation and discrimination as embodied in the ancient caste system of Hindu belief, and on gender-specific discrimination. Segregation and discrimination are dominating features of Indian society, profoundly marked by its ancient caste system that is rooted in Hinduism and structures society from top to bottom. A person is born into a certain caste and cannot change it, he/she can only hope to be reborn to a higher level of society. Certain professions are associated with certain castes (the lower the caste, the dirtier the work) and cities are segregated by castes (YAGNIK, A., pers. comm., 8th Oct. 2008). People live within communities of the same caste, and only marry within it (NOHLEN 1998: 356). Although officially abolished in 1949, the caste system still prevails.

Tab. 3.5 The four main castes with their attributed functions and roles

Body part	Caste	Function	Role
mouth	Brahmin	priests, scholars	Brahmins embody moral and ethical values. They hold the religious power.
arms	Kshatriya	warriors, kings	Kshatriyas hold the worldly power.
legs	Vaishya	merchants, farmers	Vaishyas constitute the basis of economy and supply the society with material and goods.
feet	Shudra	land laborers, traders	Shudras have to do menial jobs for society.

Source: Böck & Rao 1995: 112-113

Caste. According to Hinduism, the four main castes, called “Varna”, were established with the creation of the world. They constitute an analogy to the human body and its functions. Tab. 3.5 gives an overview of the principal castes, their attributed functions and roles. Thousands of subcastes are derived from them.

The so-called “Other Backward Castes” (OBCs) are situated at the very bottom of the Shudra-caste (STANG 2002: 102). Muslim communities, for example, generally belong to the OBCs. Although officially, they are not part of the Hindu caste system due to their Muslim faith, they are socially stratified in it as part of the Indian culture (SCHNEIDER-SLIWA 2008: 26). Those who do not belong to one of the four major castes and subcastes are literally the “outcastes”, formerly called “untouchables”, and later on, by Mahatma Gandhi, “children of God”. They are also referred to as “Dalits”, meaning “broken”. The British introduced the term “Scheduled Castes” (SCs), which has remained an official designation until today (BÖCK & RAO 1995: 127). The SCs originate from India’s tribal population but have mixed up with other groups (PRAKASHAN 2007: 87). They traditionally do dirty work, such as cleaning of latrines and streets or leather work. Their discrimination is against the law, and quota systems were introduced to promote their social mobility. However, in reality, their stigmatization continues (BÖCK & RAO 1995: 127), as does the stigmatization of India’s indigenous people – referred to as “Tribals” or “Scheduled Tribes” (ST).

According to the 2001 Census, the percentage of SCs and STs in India is at 7.09% and 7.1%. In contrast, in Gujarat, the percentage of STs is with 14.8% more than twice the national average. In some districts of Gujarat, the tribal population constitutes a large majority: they make up 93.8% of the population in the Dang District and 78.1% in the Narmada District (PRAKASHAN 2007: 88-89). The tribal population, hence, constitutes an important segment of Gujarat society. This group is, however, marginalized because of deforestation, urbanization and displacement, in particular in the area of the controversial Narmada dam (YAGNIK, A., pers. comm., 8th Oct. 2008). 3.592 715 Mio. people in Gujarat in 2001 were defined as SCs. The district with the highest concentration is Kutch, where the SCs make up 11.7% of the population (PRAKASHAN 2007: 87,89). Tab. 3.6 gives an overview of the proportion of Scheduled Castes and Scheduled Tribes in the selected four districts of the study.

Tab. 3.6 Proportion of scheduled castes and scheduled tribes in selected districts of Gujarat, 2001

District name	General population (%)	SC (%)	ST (%)	Total % of SC and ST
Ahmedabad	88.3	10.7	1.0	11.7
Kutch	80.0	11.7	8.2	19.9
Patan	89.0	9.9	1.1	11.0
Sabar Kantha	71.5	8.3	20.2	28.5
Gujarat State	78.1	7.1	14.8	21.9

Source: based on PRAKASHAN 2007: 92, adapted

The survey presented here focused at the poorest segments of society, the marginalized micro entrepreneurs of the unorganized, informal sector. These are mainly people of the lowest castes who live in poor and marginalized communities. Thus, almost all of the interviewed business people in the four disaster affected Districts of Ahmedabad, Kutch, Patan and Sabar Kantha belonged either to the Other Backward Castes (Muslims), SCs or STs.

It is of note that to the outsider, the caste system is not apparent at first glance. It unveils the longer one observes the functioning of Indian society. People of certain castes wear certain traditional clothing or jewelry that indicates their caste affiliation (specific forms or colors of turbans, or nose rings that link to the ear through a golden chain, as commonly seen in Rajasthan among the Rajput caste). People of lower castes generally have darker skin, whereas generally, the higher the caste, the fairer the skin color. But more than anything, it is the last names of people that tell any Indian about their caste affiliation. A common Brahmin name would be "Bhat" or "Bhatt", for example, literally translating as "priest". If one really wanted to restructure Indian society and eliminate the caste system, one would have to start by introducing new last names (BHAT, R., pers. comm., 18th Sept. 2008).

Gender. Gender-specific discrimination in Gujarat and India in general is still an issue. Some distinct structures of this form of discrimination are summarized in Box 3.3.

3.3.3 Political aspects

Communal violence. Related to aspects of segregation and discrimination is communal violence, especially riots against Muslim communities. Riots constitute a man-made disaster. They are of relevance to this study because micro entrepreneurs have had to cope with the impact of such violence. Their experiences affected direct-decision making then and colored future decisions as well (due to the fear of riots breaking out again). It is a stunning paradox that Gujarat, on the one hand, has brought forth to India and to the world a person like Mahatma Gandhi and the commitment to truth and non-violence, and yet, on the other hand, the state has again and again witnessed massive violence against Muslims.

Women at risk

- There is a “socially generated excess mortality” of women in India and other Asian countries, resulting in large numbers of “missing women”. The gender bias may be seen in distribution of health care, food and other necessities that have an impact on the survival rate of female children. As research has shown, the survival of female children up to 4 years is significantly influenced by variables such as female literacy rate, female labor participation, levels of income and poverty (SEN 2000: 190-191, 196).
- Another factor contributing to the disproportional Indian sex ratio with missing women are abortion practices. Boys are systematically preferred, whereas daughters are unwanted and seen as a “financial burden”, due to the prevailing dowry practices upon marriage in India. This can lead to the financial ruin of the parents of a bride. Despite the fact that a fetus’s gender specification by ultrasonic scan is illegal, many doctors in urban areas have specialized in it (STANG 2002: 86-87).
- Although dowries have been banned by Indian law, the practice continues through “precious gifts” the husband’s family demand on different occasions. A woman, for example, who wants to divorce must buy her way out and live with the shame. Every year, thousands of women die under suspicious circumstances in accidents happening in their husband’s households. The most common accident reported is of sarees catching flame while the women cook. Such accidents are rarely proven to be murderous acts because the women die at home, not in a hospital, and police investigation is kept minimal (STANG 2002: 85).
- 54% of Gujarati women marry before they turn 18. 45% of the women in Gujarat must ask permission from their husbands before they can go to the market (49% have to ask if they want to see their own family), 29% are not involved in decisions regarding their own health, and only 25% have access to the household budget (AHMED et al. 2007: 6).

Box 3.3 Aspects of gender discrimination in India and Gujarat. Source: Adaptation N. SLIWA, based on AHMED 2007: 6; SEN 2000: 190-191; STANG 2002: 85-87

These culminated in the 2002 riots that made world news and officially cost 1000 lives – or unofficially 3000 (REIFELD 2003: 56; BHATT, M., pers. comm. 2005, based upon law suits pending). This paradox can be partially resolved when one comes to understand that “just as merchants of every generation had nurtured relationships with heads of states of their time, twentieth-century merchants began by aligning themselves to the freedom movement by funding first Gandhi’s Ashrams, and later the Congress party and other political parties. The central idea was to ensure that the state paved the way for greater profits” (YAGNIK & SHETH 2005: 241).

In other words: peace can serve as a means to increase profits. It does not mean that underlying values of peace – such as tolerance or respect of one another – need to be adhered to as well. The political landscape of the modern State of Gujarat – a state that was formed in 1960 when the bilingual State of Bombay split into the States of Gujarat and Maharashtra (HIRWAY 2002: 1) – has been turbulent ever since its creation. Between 1960 and 1995, when the Bharatiya Janata Party (BJP) came into power, Gujarat had 17 ministries. None but one chief minister completed a full five year-term. These turbulences reflect the rapid changes Gujarat was undergoing as urbanization and industrialization processes caused different communities and castes to compete for more influence, better social status and more political power (YAGNIK & SHETH 2005: 252).

The rise of the nationalist Hindu movement (“Hindutva”) in Gujarat began in 1970’s when the ruling progressive Congress Party adopted a highly successful electoral formula. This formula led to a significant gain of seats in government for minorities and lower castes, literally wiping out the upper castes – Brahmins

and Vaniyas – from key positions. As a consequence, the elite and middle class felt their traditional power slipping away, and various agitations, uproars and violent clashes followed. The main protests soon were aimed at the state's reservation policy – a quota system to promote minorities and low castes – in education and politics. Protesters from different backgrounds united in a broad agitation movement supported by the right-wing Vishva Hindu Parisad (VHP) and the Hindu-nationalist BJP. Gradually and systematically, they started incorporating lower castes into their movement, so as “to unite all Hindus” – but with what purpose? Each mobilization process left behind a trail of communal violence. Increasingly, religious symbols – such as water from the Ganges – were used for political purposes in each agitation wave (YAGNIK & SHETH 2005: 254-260).

The Gujarat riots. The 2002 riots were “a tragedy foretold” (VARADARAJAN 2002: 3). Shortly before the riots broke out, elections were held in five states of India, in which the nationalist BJP reported significant losses, particularly in the cities. The beginning of the year 2002 was marked by conflict regarding the planned construction of a Hindu temple in Ayodhya at a site where in 1992, Hindu nationalists had destroyed the Babri Masjid mosque. This had provoked clashes then. Government authorities wanted jurisdiction to decide on the legality of the temple construction, but the courts were hesitant. Radical Hindu organizations, set construction to begin in March 2002. Hindu activists, voluntary workers and pilgrims were brought to the site by special trains, supported by government authorities and the Indian Railways (BETZ 2003: 32-33). On February 27, 2002, a train with Hindutva-activists was set on fire near the station of Godhra, close to the city of Ahmedabad. 59 people burnt (REIFELD 2003: 55-56). Who exactly the attackers were was unknown and is still subject to dispute, but “the rulers of Gujarat promptly decided all Muslims had to be taught a lesson” (VARADARAJAN 2002: 3). In the following weeks, systematic and extremely brutal attacks on Muslims followed, with ten times as many Muslims than Hindus killed. Muslims were burnt alive or hacked to pieces, women were raped, and attackers cut out babies of the wombs of pregnant women, burning them in front of their mother's eyes (REIFELD 2003: 56; SUNDAR 2002: 85). Mobs of up to 15 000-20 000 people ransacked the streets, shouting “Kill, hack, loot or kill Muslims” (SUNDAR 2002: 84-85). The unimaginable cruelty of these attacks was not even what was new about the riots – it was the extent to which official institutions supported and covered up these crimes, as a few examples demonstrate (REIFELD 2003: 56-57; YAGNIK & SHETH 2005: 288):

- authorities helped to identify Muslim homes and businesses through election and tax lists
- policemen who were “too neutral” were transferred to places where there were no riots
- other policemen pretended to protect Muslims from the crowds, but actually forced them into the arms of the violent mobs
- a policeman was seen handing over gasoline from his official car to the mob
- Muslims were not treated in hospitals
- relief in the aftermath reached Muslims slowly or not at all.

Another new aspect of the 2002 riots was the extent of the violence. It was no longer limited to cities but had spread to the most remote rural areas (REIFELD 2003: 56-57). There was a “method in madness” in the 2002 riots (SUNDAR 2002: 84). They were not a spontaneous outbreak of violence, but had been prepared with the help of official institutions. The Godhra train attack gave grounds to start an agitation that had been carefully planned in advance (REIFELD 2003: 57). The business community chose not to speak up against the violence. The riots left 140 000 people in relief camps (YAGNIK & SHETH 2005: 288) and caused huge economic losses that set Gujarat back years. In a climate of terror, violence and ongoing discrimination, and particularly given the dubious role of official authorities in these riots, the role of NGOs in bringing relief to all of the victims, promoting integration, cannot be overestimated (REIFELD2003: 59).

3.4

The Districts of Ahmedabad, Kutch, Patan und Sabar Kantha

The following subchapter gives an overview of the four disaster affected districts focused on in this study. Each district is introduced using basic figures from the 2001 Indian Census data, before selected aspects of relevance to each district are briefly summarized. Fig. 3.11 locates each of the four districts within the State of Gujarat. As the selection of study areas was also based on differences in population density, Fig. 3.12 gives an overview of population numbers according to district. Thus, Ahmedabad reflects districts with a high population, Sabar Kantha districts with a medium population and Kutch and Patan districts with a rather low population.

3.4.1

Ahmedabad

An overview of the district as to population characteristics, literacy levels, number of workers and main religions is given in Tab. 3.7.

Two aspects are noteworthy:

- although the gender ratio is low in all of the studied districts, the statistical figures (Census 2001) reveal an imbalanced gender ratio in Ahmedabad that is even lower than the state average gender ratio (already among the lowest in India) (see 3.1). However, this sex ratio would appear to be influenced by the large, mostly male migrant population in the city of Ahmedabad (BHAT, R., pers. comm. on evaluating research results, 17th Aug. 2007).
- some crucial indicators are not specified according to gender. For example,

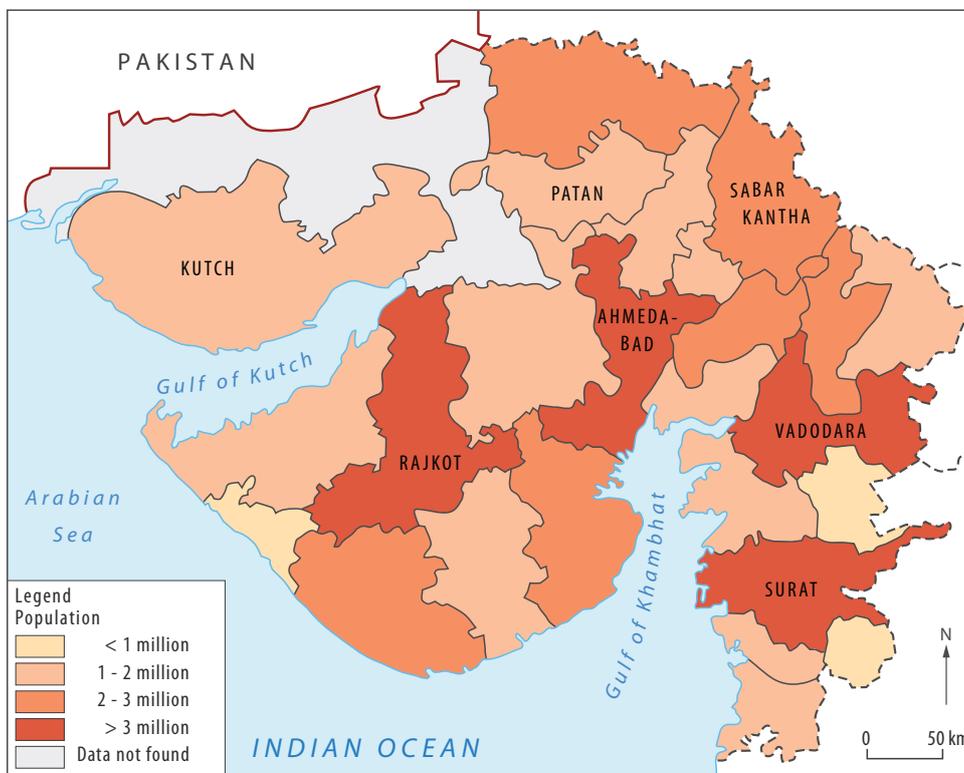
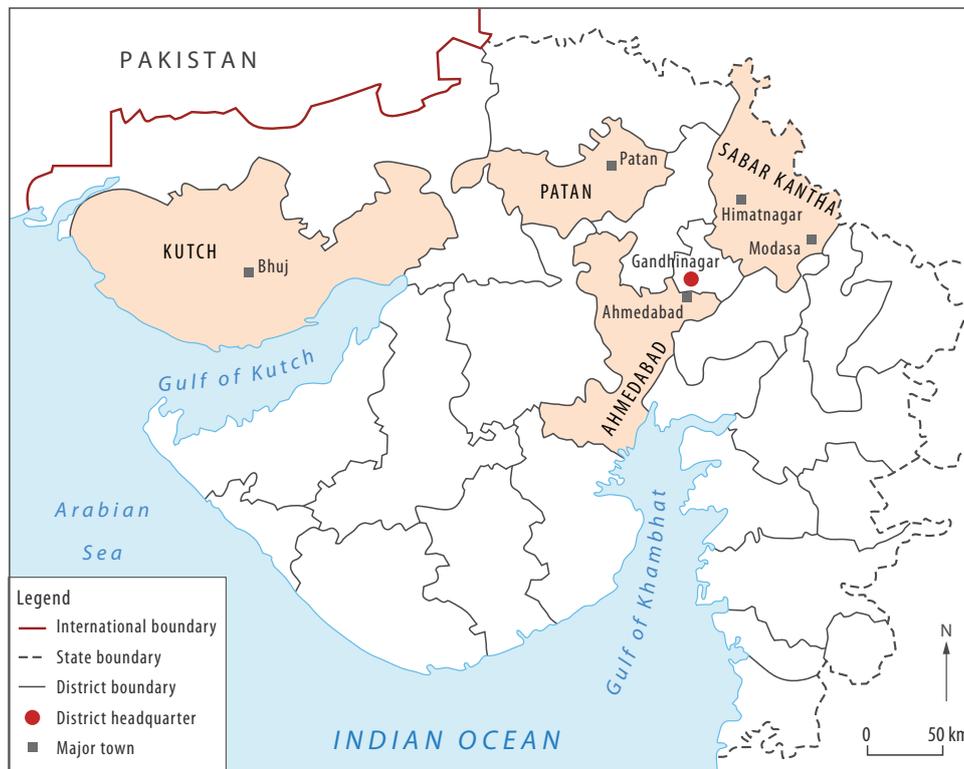


Fig. 3.11 (above): The Districts of Ahmedabad, Kutch, Patan and Sabar Kantha in Gujarat

Fig. 3.12 (below): Population in the State of Gujarat

Cartography: L. BAUMANN; database: www.mapsofindia.com; adaptation: N. SLIWA

Tab. 3.7 Relevant statistic indicators of the District of Ahmedabad, 2001

Population characteristics	Literacy levels
Total population: 5 816 519 Male: 3 074 556 Mio. Female: 2 741 963 Mio. Sex ratio: 892 females per 1000 males Gujarat State average sex ratio: 921 females per 1000 males Number of households: 1 150 588 Average household size: 5	Literacy rate: 79.5% Male literacy rate: 87.31% Female literacy rate: 70.83% Literate: 4 012 140 Male literates: 2 318 295 Female literates: 1 693 845 Education below primary level: 816 251 Population with primary level: 963 479
Urban population: 4 663 533 Rural population: 1 152 986, sex ratio 0-6 yrs: 835:1000 Total inhabited villages: 546 Scheduled Caste population: 620 765 Scheduled Tribe population: 58 035	Workers Total number of workers: 2 009 365 Marginal workers: 210 239
Population growth between 1991-2001: 26.6% Largest city: Ahmedabad 3 520 085	Religion (top 3) Hindus: 4 921 747, Muslims: 662 799, Jains: 170 093

Source: Census of India 2001, Basic Data Sheet, District of Ahmedabad, www.censusindia.gov.in, Oct. 2008, adapted

the female literacy rate itself does not indicate whether the women included actually finished primary school. Statistically, they figure as “literate” irrelevant of how many years spent at school. A better picture of discrimination in education matters could be made if gender-specific figures were available. What percentage of literate women did not finish primary school, and what is the proportion of the female population “below primary level”?

The City of Ahmedabad is the district’s capital and was the state’s capital until 1970. The “Manchester of Gujarat” prospered because of its central location as a transport hub within the state (Prof. VASAVADA, pers. comm., 16th Sept. 2008). Ahmedabad used to house numerous textile mills established in the middle of the 19th century. The former trade city then became an industrial site. The workers came not only from Gujarat and the city itself, but from other states, i.e. Rajasthan and today’s Uttar Pradesh. They needed living space close to their work, which is why the eastern part of the city – where the industries were located – consequently developed into the living area of the industrial workers. The owners of the industries started building cheap living space for their workers – so-called “chawls”. These consisted of buildings several stories high, with a maximum living space of two rooms per family. These buildings started to deteriorate in the 20th century and are today slum areas. During the structural changes of the 1970’s and 1980’s, the color and detergent industries took the lead, but also contributed significantly to increased environmental pollution in Ahmedabad (STANG 2002: 124-126).

Structurally, Ahmedabad is a segregated city, divided by caste (Fig. 3.17, 3.18). The lower castes traditionally live in the old city, whereas new construction areas and the “new part” of the city are the preferred living areas of the up-

per castes (YAGNIK, A., pers. comm., 8th Oct. 2008, see also Fig. 3.17 and 3.18). The population density in the small streets and multiple houses of the old city is extremely high. Water-borne diseases are very common here because the water supply of the old city comes minimally filtered directly from the river. In the new areas, the quality of water is much better and drawn from cisterns (pers. comm. with AIDMI members, Sept. 2004). The so-called “pols” are a distinct trait of the old city of Ahmedabad and function like little villages within the city. Ahmedabad has about 500 pols, some totaling around 1000 inhabitants (see Fig. 3.19). Formerly, these pols belonged to specific Hindu castes associated with certain handicraft. They felt protected in this closed environment during the Muslim reign of Ahmedabad in the Mughal period. Now, these pols make up the major part of the old city. The old city of Ahmedabad is surrounded by a ring road and marked by a citadel and the grand Jama Masjid-mosque (STANG 2002: 123-124).

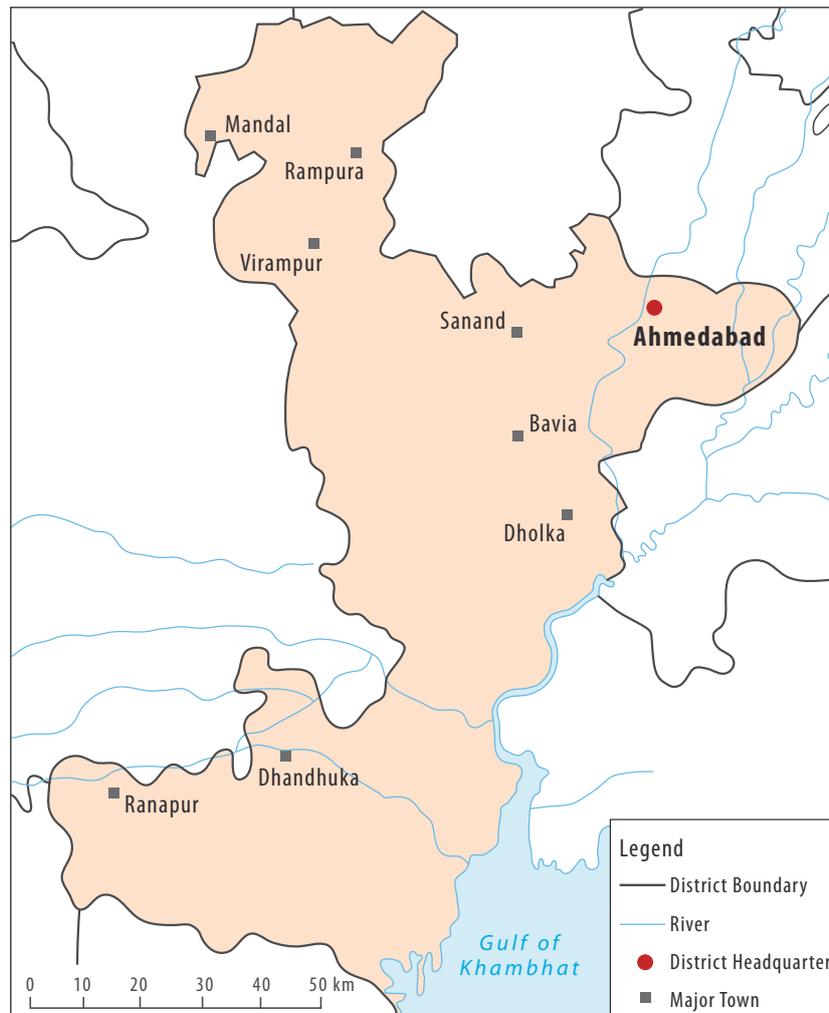


Fig. 3.13 The District of Ahmedabad.

Cartography: L. BAUMANN; database: www.mapsofindia.com; adaptation: N. SLIWA

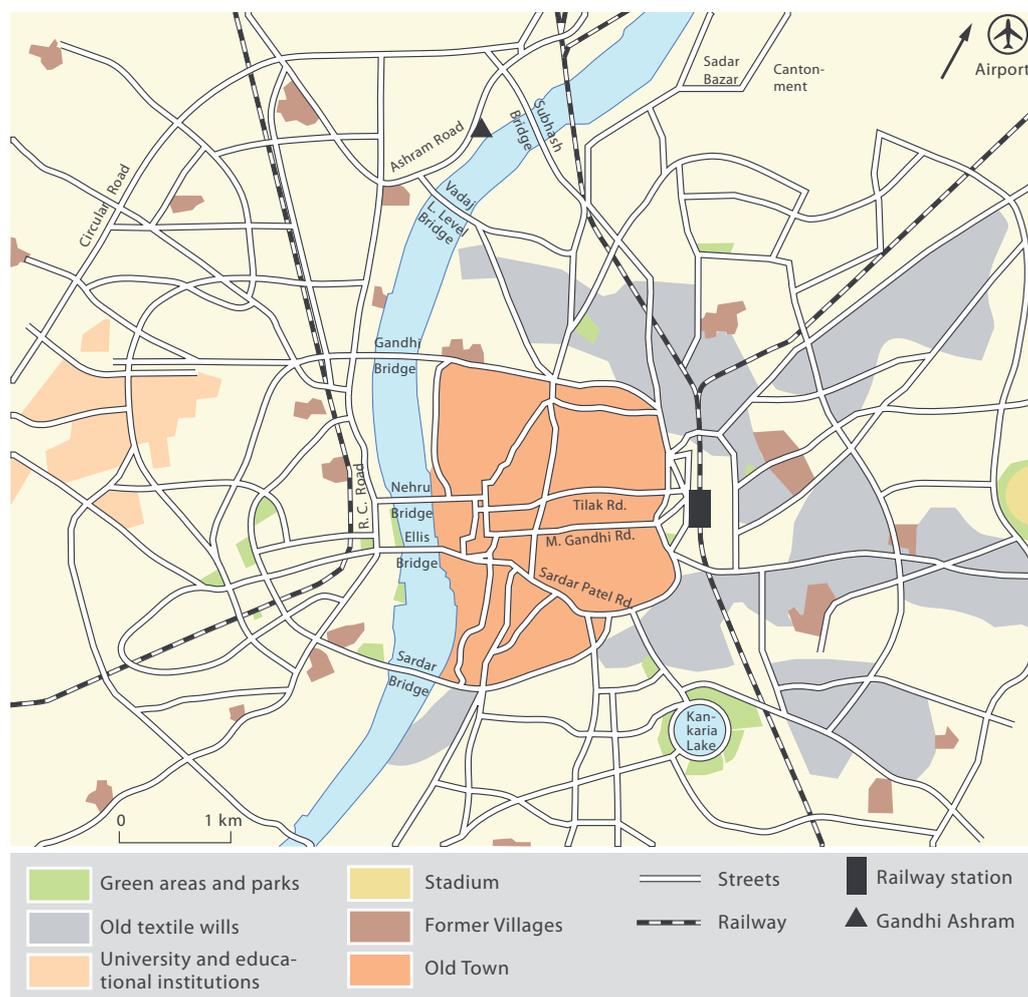


Fig. 3.14 Overview of the City of Ahmedabad
Cartography: L. BAUMANN; based on STANG 2002: 125

In 2005, about 20% of the population of Ahmedabad, comprising a total of 176 754 families, lived in sub-human slum conditions in 710 slum areas. Slum conditions in Ahmedabad are described as follows (AHMEDABAD MUNICIPAL CORPORATION 2005: 11):

- absence of critical infrastructure like water supply, drainage, roads, toilets and street lights
- temporary structures and lack of maintenance
- overpopulation and congestion
- low income and poor living standard.

The Municipal Corporation of Ahmedabad has been working in a participatory approach with slum dwellers themselves and with well-known NGOs (i.e. SEWA – the Self Employed Women’s Association) to eliminate poverty con-

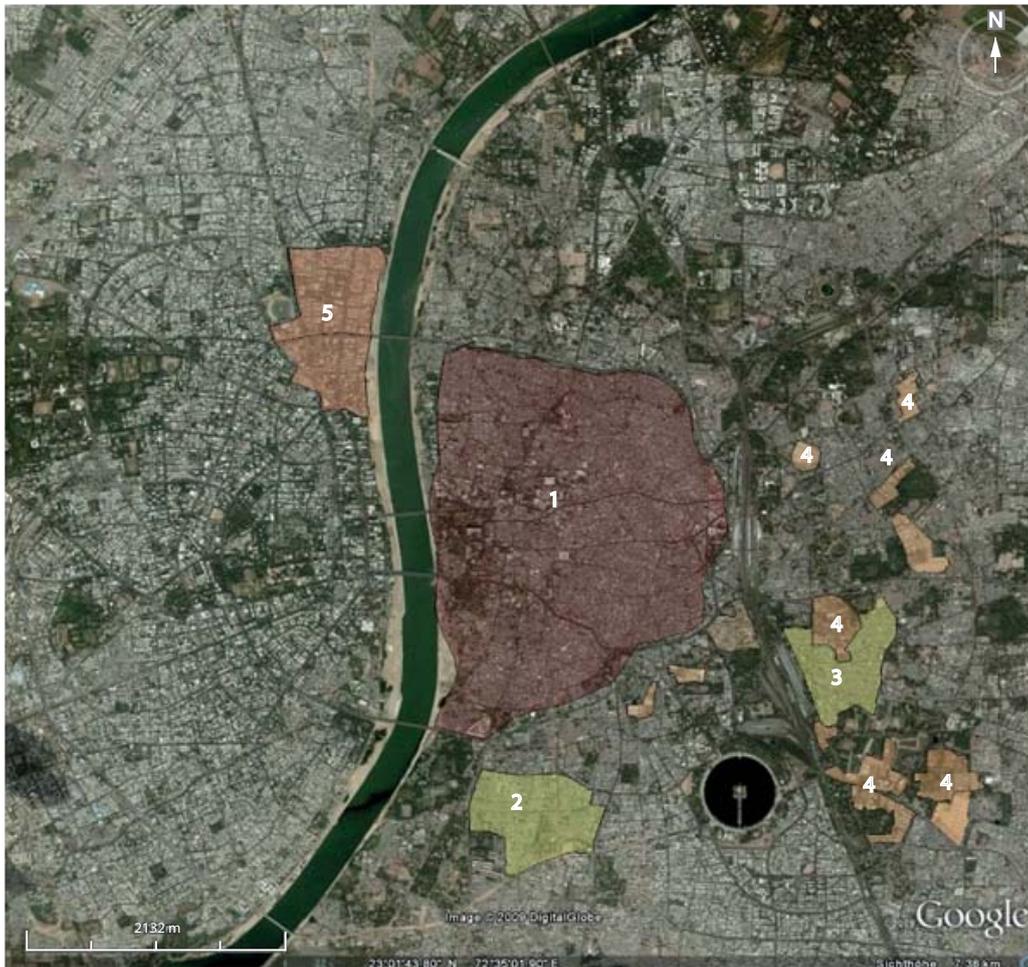


Fig. 3.15 Satellite view of the City of Ahmedabad (1 Old city; 2 Behrampura slum community (area of study); 3 Gomtipur slum community (area of study); 4 Industrial sites and former textile mills; 5 Usmanpura and Navrangpura, two expensive communities of upper castes) Explanation: The areal map illustrates the segregation within Ahmedabad: both slum communities studied (Behrampura/Gomtipur) are far away from the better areas of the city (Usmanpura/Navrangpura) on the other side of the river. Gomtipur is surrounded by industry and textile mills. Cartography: N. SLIWA; database: Google Earth, SPOT Image Satellite

ditions in the worst of the 710 slum areas of the city. The “Ahmedabad Slum Networking Program” aims at providing

- infrastructure (water supply, sewerage connections for individual households, toilets, road pavement, waste management and the like)
- social services (formation of neighborhood and women’s groups, mobilization of savings, education programs to prevent high-school drop-outs, day-care and health centers)
- poverty eradication through income generation activities (AHMEDABAD MUNICIPAL CORPORATION 2005: 8-9).



Fig. 3.16 Satellite close-up of Ahmedabad's old city. Database: Google Earth, SPOT Satellite Image; adaptation: N. SLIWA

Whereas the approach of integrating NGOs as well as the local slum dwellers in urban development programs was seen as a positive step, three years after the program was launched, the Ahmedabad Municipal Corporation was heavily criticized in Gujarat newspapers for promises they had not kept (YAGNIK, A., pers. comm., 8th Oct. 2008). To substantially improve the living conditions of one fifth of the city's population, there is still much that needs to be done.



Fig. 3.17 The house of a wealthy Jain family in Navrangpura, Ahmedabad (new part of the city)
Photo: N. SLIWA, 8th Oct. 2008



Fig. 3.18 A one-room flat in the slum community of Behrampura, Ahmedabad („chawl“-housing)
Photo: N. SLIWA, 8th Oct. 2008



Fig. 3.19 Ahmedabad pol in the old city. Photo: N. SLIWA, Feb. 2005

3.4.2 Kutch

The City of Bhuj is the second largest city in the District of Kutch and its capital. It has a population of 98 528 (CENSUS OF INDIA 2001). Bhuj has kept its picturesque character, boasting some beautiful historic buildings, such as the mirror palace (BRADNOCK 2002: 1322). However, Bhuj will for all time be associated with the devastating earthquake of January 26, 2001 that had a magnitude of 6.9 on the Richter scale (DEVI 2005: 162). The earthquake's epicenter was 20 km north of the city of Bhuj (WHO 2001: 2). Tremors were so heavy that the impact was still felt in Chennai and Bangalore in the south of India, but also in neighboring countries such as Pakistan, Nepal and Bangladesh (DEVI 2005: 167). 20 000 people lost their lives (AHMED et al. 2007: 10), more than 166 000 were injured (WHO 2001: 2). 600 000 people ended up homeless, 348 000 houses were destroyed and nearly 844 000 damaged (www.mapsofindia.com, 20th July 2009). 38 Mio. people in Gujarat and beyond were directly or indirectly affected by the earthquake. The Districts of Kutch, Ahmedabad, Rajkot, Surendernagar, Surat and Patan accounted for 99% of the total death toll. Kutch alone recorded 92% of the total death toll and 82% of all injuries. 39% of its villages were wiped out. Rural areas were more severely affected by the disaster than urban areas, accounting casualties in every 8th household. The gender-specific vulnerability was clearly shown by the fact that more women than men (56% vs. 44%) suffered major injuries (DEVI 2005: 168-170). Response to the disaster was rapid, given the remoteness of the District of Kutch. The Indian army, local and international NGOs as well as United Nations agencies began relief work within days (WHO 2001: 2). The evaluation of All India Disaster Mitigation Institute's "Bhuj Reconstruction Project" with assistance from the University of Basel (2005/2008) showed that redevelopment in Bhuj was making good progress ever since (SCHNEIDER-SLIWA 2008).

Tab. 3.8 Relevant statistic indicators of the District of Kutch, 2001

Population characteristics	Literacy levels
Total population: 1 583 225 Mio. Male: 815 152 Female: 768 073 Sex ratio: 942 females per 1000 males Gujarat State average sex ratio: 921 females per 1000 males Number of households: 320 588 Average household size: 5	Literacy rate: 59.79% Male literacy rate: 70.39% Female literacy rate: 48.59% Literate: 794 483 Male literates: 480 555 Female literates: 313 928 Education below primary level: 253 685 Population with primary level: 250 155
Urban population: 474 892 Rural population: 1 108 333 sex ratio 0-6 yrs: 921:1000 Total inhabited villages: 886 Scheduled Caste population: 185 932 Scheduled Tribe population: 130 138	Workers Total number of workers: 605 599 Marginal workers: 107 413
Population growth between 1991-2001: 20.6% Largest city: Gandhidham 151 693	Religion (top 3)

Source: Census of India 2001, Basic Data Sheet, District of Kutch, www.censusindia.gov.in, Oct. 2008, adapted



Fig. 3.20 The District of Kutch. Cartography: L. BAUMANN; database: www.mapsofindia.com; adaptation: N. SLIWA

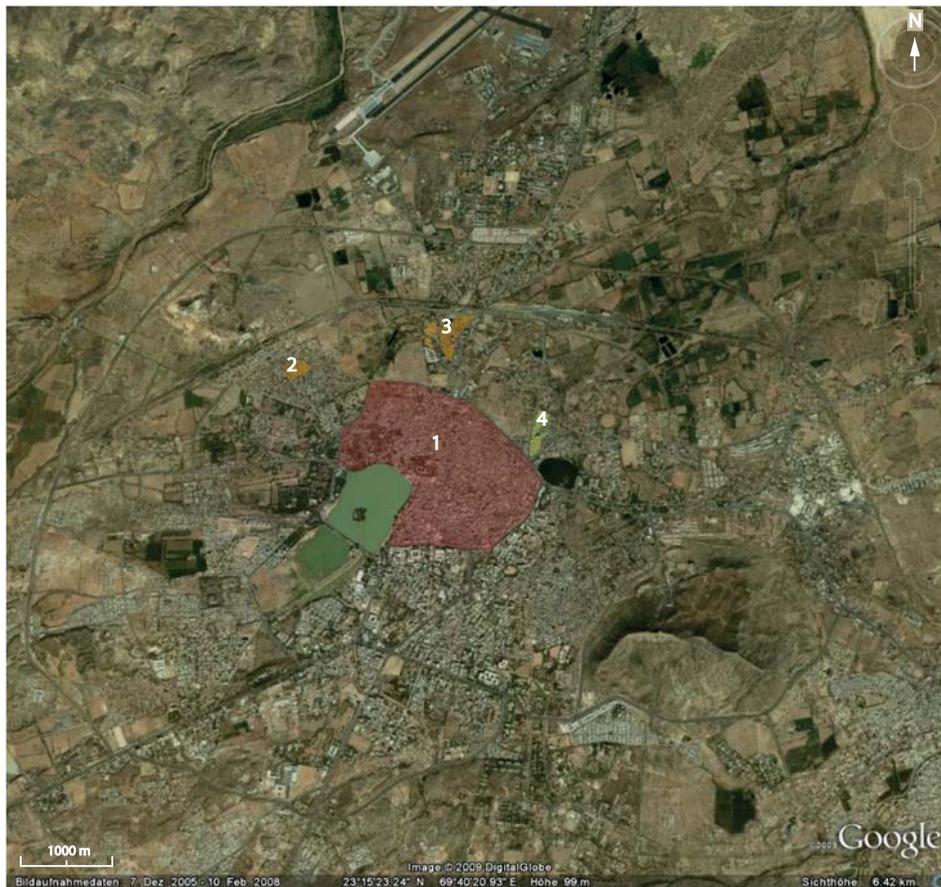


Fig. 3.21 The City of Bhuj and selected slum communities (1 Old city; 2 Mustuffanagar slum community (study area); 3 Jayprakashnagar slum community (study area); 4 Ashapurangar slum community (study area)). Explanation: The map shows the walled old city and the three slum communities targeted in the survey. The case studies are from Ashapurangar (marked in bright yellow). Cartography: N. SLIWA; database: Google Earth, SPOT Satellite Image



Fig. 3.22 Earthquake damage in Bhuj as seen in Feb. 2005. Photo: N. SLIWA, Feb. 2005



Fig. 3.23 Newly constructed, wealthy homes in Bhuj in Oct. 2008. Photo: N. SLIWA, 15th Oct. 2008

3.4.3 Patan

Patan is a rural district with some urban areas. The majority of the district's population are active in farming (Fig. 3.25 and Fig. 3.26). Patan's gender ratio of children up to 6 years is the lowest of all districts, with just 865 female per 1000 male infants (Tab. 3.9). These figures indicate that infanticide or structural neglect of female small children is a major issue here.

The City of Patan is the capital of the district and also its largest city (Fig. 3.24). Sidhpur (53 858 inhabitants) and Radhanpur (32 191) are the second and third largest cities of the district (CENSUS OF INDIA 2001). The district is known for its more than 100 Jain temples and its traditional, beautifully carved wooden houses (BRADNOCK 2002: 1329) (Fig. 3.27).

Tab. 3.9 Relevant statistic indicators of the District of Patan, 2001

Population characteristics	Literacy levels
Total population: 1 182 709 Male: 612 100 Female: 570 609 Sex ratio: 932 females per 1000 males Sex ratio (0-6 years): 865 Gujarat State average sex ratio: 921 females per 1000 males Number of households: 222 630 Average household size: 5	Literacy rate: 60.36% Male literacy rate: 73.63% Female literacy rate: 46.33% Literate: 599 082 Male literates: 375 588 Female literates: 223 494 Education below primary level: 215 489 Population with primary level: 165 823
Urban population: 238 428 Rural population: 944 281 sex ratio 0-6 yrs: 865:1000 Total inhabited villages: 517 Scheduled Caste population: 116 879 Scheduled Tribe population: 12 637	Workers Total number of workers: 533 078 Marginal workers: 137 608
Population growth between 1991-2001: 14.08% Largest city: Patan 112 219	Religion (top 3)

Source: Census of India 2001, Basic Data Sheet, District of Patan, www.censusindia.gov.in, Oct. 2008, adapted

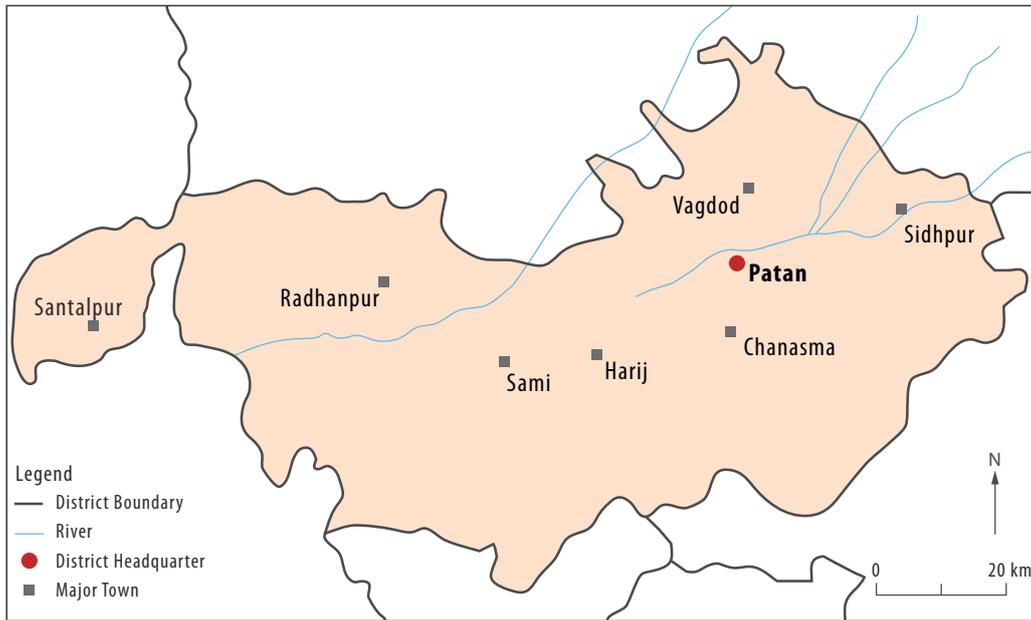


Fig. 3.24 The District of Patan

Cartography: L. BAUMANN; database: www.mapsofindia.com; adaptation: N. SLIWA



Fig. 3.25 Girls at a well in Patan
Photo: N. SLIWA, 11th Oct. 2008



Fig. 3.26 Traditional farming life in Patan
Photo: N. SLIWA, 11th Oct. 2008



Fig. 3.27 A traditionally carved farm house in Patan. Photo: N. SLIWA, 11th Oct. 2008

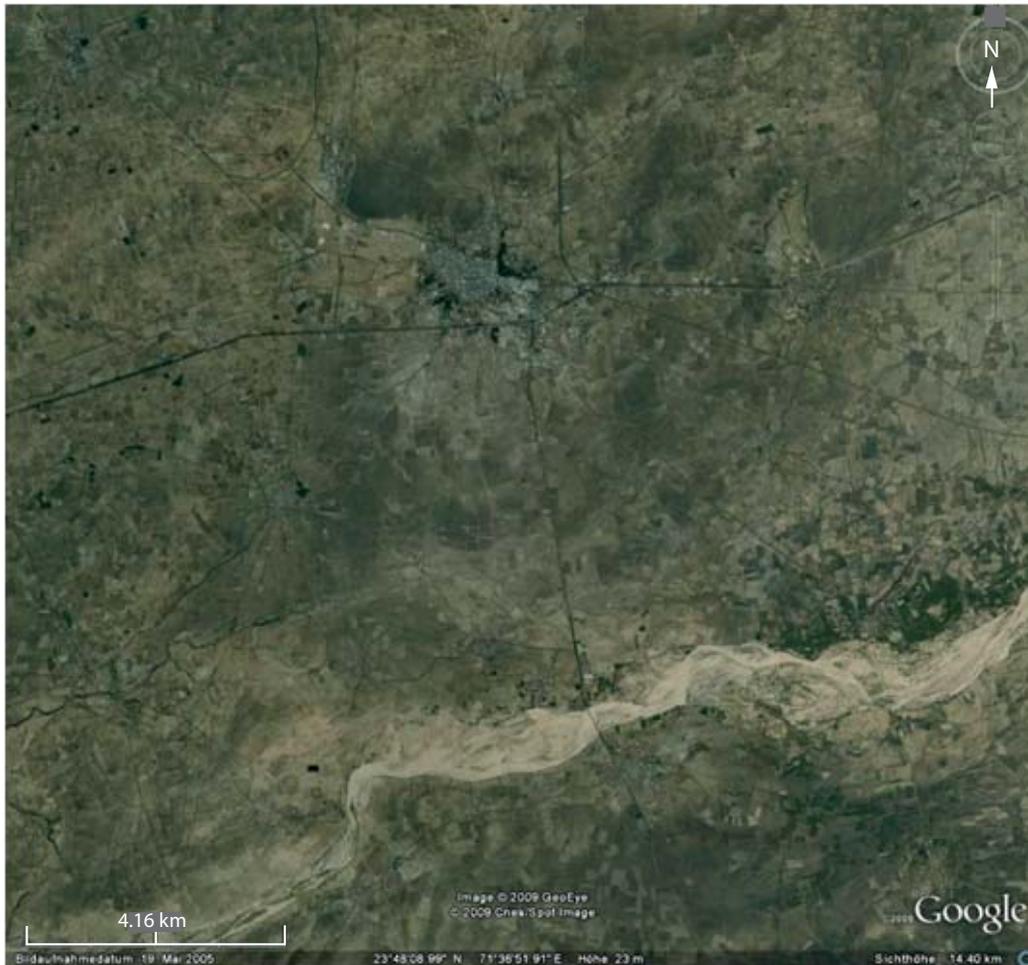


Fig. 3.28 Satellite image of the District of Patan near the dry Banas River with the City of Radhanpur
Source: Google Earth, SPOT Satellite Image; modification: N. SLIWA



Fig. 3.29 Map of the study areas in the District of Patan with the villages of Najupura and Shergadh (1 the City of Radhanpur, Patan; 2 the village of Najupura (study area); 3 the village of Shergadh (study area). Explanation: The satellite images show the rural area of the District of Patan with low population density and agricultural structures. The dry Banas River is an indication of the severe drought problems reported in this district by interviewed farmers. Source: Cartography: N. SLIWA; database: Google Earth, SPOT Satellite Image

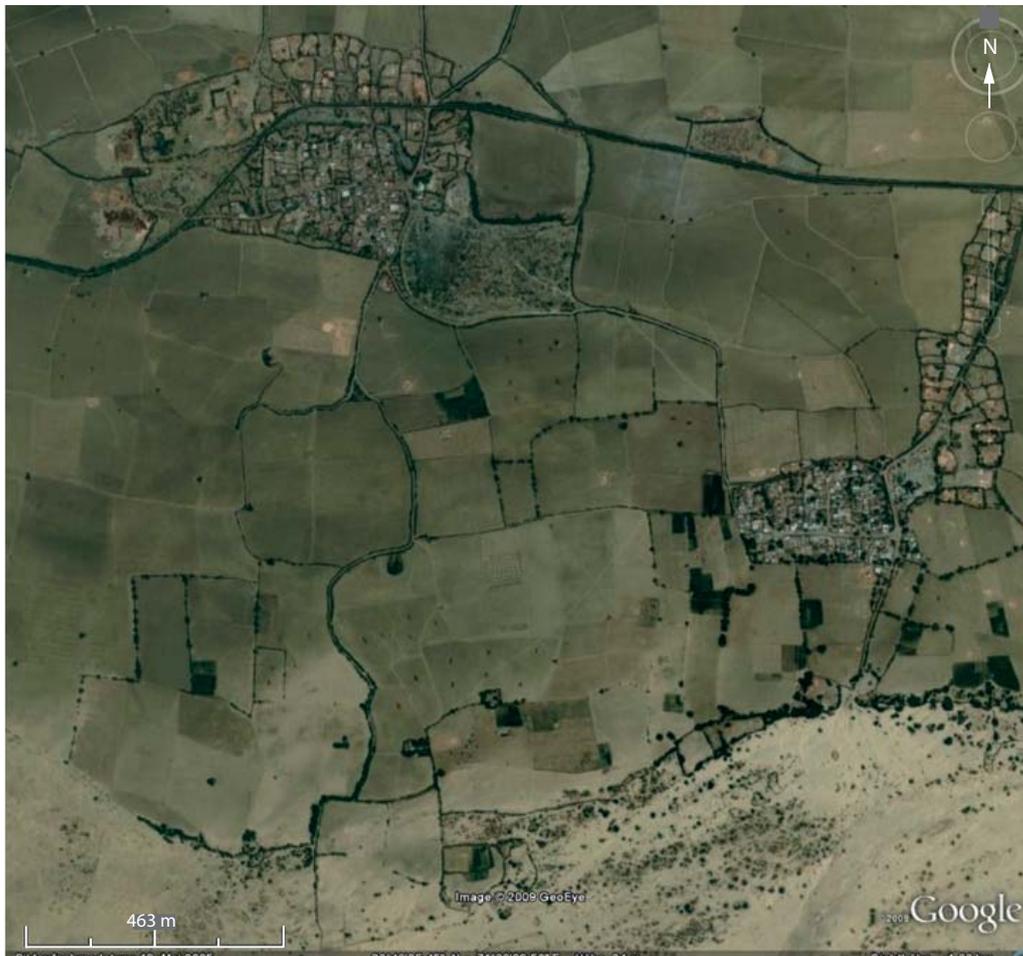


Fig. 3.30 Satellite Image of the villages of Najupura and Shergadh as a close-up. Explanation: This close up of the villages in which the case studies were taken illustrates the agricultural setting and rural context of Patan, a district prone to droughts. The image underlines that apart from agriculture, income generation is limited in this area and markets are not easy to reach. Building up supply and sales chains in remote rural areas, therefore, is challenging. Source: Google Earth, SPOT Satellite Image; adaptation: N. SLIWA

3.4.4 Sabar Kantha

The City of Modasa is Sabar Kantha's second largest major town with 54 135 inhabitants (CENSUS OF INDIA 2001) (Fig. 3.31). A majority of Modasa's population are Muslims. They were heavily affected by the 2002 riots. Since relief in the aftermath reached them only hesitantly, the Islamic Relief Committee took over, constructing shelter in Relief Camps for the riot affected Muslim population. These communities, e.g. Rashidabad, consisted of 2-room barracks per family and were intended to be a temporary measure. However, they have become permanent as the livelihood of the affected population did not improve to



Fig. 3.31 The District of Sabar Kantha. Cartography: L. BAUMANN; database: www.mapsofindia.com; adaptation: N. SLIWA

the extent that they could afford to move elsewhere. These camps are currently turning into slums (Fig. 3.35). A new generation of children is growing up that has not known anything but poverty caused by the riots. Without an improvement of livelihood conditions and future perspectives, these children might turn to violence against a society they might come to view as the cause of their problems. Furthermore, the segregation of the community caused by the camps (exclusive Muslim communities) can lead to greater visibility of the “other” and may lead to increasing prejudice on all sides (Fig. 3.33 and 3.34). It is not likely to contribute towards preventing even greater riots in the future. That tensions in Modasa between Muslims and Hindus are increasing was evident in October 2008, when terror attacks at a local bus stop and in a restaurant killed several people and made news in India. It is crucial to target the social problems here, if violence is not spread in the future.

Tab. 3.10 Relevant statistic indicators of the District of Sabar Kantha, 2001

Population characteristics	Literacy levels
Total population: 2 082 531 Male: 1 069 554 Female: 1 012 977 Sex ratio: 947 females per 1000 males Gujarat State average sex ratio: 921 females per 1000 males Number of households: 399 847 Household size: 5	Literacy rate: 66.65% Male literacy rate: 80.42% Female literacy rate: 52.3% Literate: 1 171 555 Male literates: 721 203 Female literates: 450 352 Education below primary level: 299 309 Population with primary level: 296 151
Urban population: 225 129 Rural population: 1 857 402 sex ratio 0-6 yrs: 879:1000 Total inhabited villages: 1372 Scheduled Caste population: 173 325 Scheduled Tribe population: 420 242	Workers Total number of workers: 940 437 Marginal workers: 278 188
Population growth between 1991-2001: 18.3% Largest city: Himatnagar 56 464	Religion (top 3) Hindus: 1 946 780 Muslims: 117 806 Jains: 11 198

Source: Census of India 2001, Basic Data Sheet, District of Sabar Kanta, www.censusindia.gov.in, Oct. 2008; adapted



Fig. 3.32 Satellite image of the City of Modasa. Source: Google Earth SPOT Satellite Image; adaptation: N. SLIWA



Fig. 3.33 The study areas in the City of Modasa. Explanation: Modasa is characterized by major Relief Camps, provided by the Islamic Committee, in which not only riot affected Muslims from the city itself, but also from other areas continue to live (2). The part of the city where houses, businesses and infrastructure were destroyed in the riots has been rebuilt (1). The riots changed the structural features of the city considerably, resulting in completely segregated Muslim areas in Relief Camps with rather bad housing conditions (study areas). Source: Google Earth SPOT Satellite Image; cartography: N. SLIWA



Fig. 3.34 Satellite image of riot affected parts of the City of Modasa that have been reconstructed. Explanation: As this close-up shows, the housing structure of reconstructed riot affected areas differs from the older structures of the immediate surroundings (square houses vs. irregular structures). The physical impact the riots had is shown very clearly in this image. Source: Google Earth SPOT Satellite Image; adaptation: N. SLIWA



Fig. 3.35 View of the Relief Camp community of Rashidabad, Modasa. Photo: N. SLIWA, 12th Oct. 2008



Fig. 3.36 A brand new permanent Mosque in the Relief Camp community of Rashidabad, Modasa. Photo: N. SLIWA, 12th Oct. 2008

3.5 Institutions for self-help: NGOs in Gujarat

Although Gujarat as a state continues to experience disparities, unrest and violence, it has emerged as a hub of NGO activity in India, perhaps because of the Gandhian tradition of non-violence and seeking peaceful solutions to seemingly unsolvable problems. Particularly the city of Ahmedabad boasts some world renowned NGOs, like SEWA. Considering the importance of NGO support for the micro enterprise sector in Gujarat, and in particular the Chamber of Commerce, a brief look is taken here at the NGO movement in Gujarat.

The following subchapters will

- give an overview of the NGO movement in Gujarat
- briefly introduce three important NGOs of Gujarat, representatives of which were interviewed during the study (see Part III)
- and focus on the Chamber of Commerce for Industry and Small Businesses, the NGO whose beneficiaries were interviewed for the survey, along with a control group (see 1.2).

There are 1.2 Mio. registered NGOs in India (2007). Their sheer number is a double-edged sword: on the one hand, NGOs do beneficial social work where governments fail to meet the needs of the poor. On the other hand, many Indian NGOs are just “fund-chasers” that should “re-examine their ideals” if they want to bring about change (ALMEIDA 2007: 80). Why does India have such a particularly large NGO movement? There are two main reasons for this:

- the concern for the poor, the weak and all creatures on earth is a principle of Hinduism called “Jeev Daya” (IYENGAR 2002: 387)
- Gandhi’s influence on the NGO movement is undisputed (HIRWAY 2002: xiii): Mahatma Gandhi was not only the father of the nation, but also “the father of India’s NGO movement” (ALMEIDA 2007: 80), adding the significant philanthropic dimension of voluntary work for the poor to the existing Hindu concept (IYENGAR 2002: 387).

Tradition of non-governmental assistance in Gujarat. Within India, the State of Gujarat is particularly known for its NGO culture and tradition of voluntary work (HIRWAY 2002: xiii), not only because Gandhi, a Gujarat native, started his freedom movement here. Another important aspect is that entrepreneurship, the willingness to live under harsh economic and agricultural conditions and the willingness to migrate when necessary have always been typical traits of Gujarati people. From early on, Gujarat citizens left the state, and even the country to establish

themselves elsewhere. Once they had done so, they would start re-investing in their homeland and home state. Thus, water huts, parks and gardens have been sponsored from Gujaratis abroad. These philanthropic acts not only served to elevate the donor's status, but were also congruent with Hindu beliefs. When Gandhi became active, a large crowd of young idealistic people spread out and started social work – and initiated the establishment of NGOs (IYENGAR 2002: 388-390).

Three phases of the NGO movement and related characteristics are distinguished here:

- **The pre-independence phase.** Gujaratis abroad donated money for projects to improve society, and the Gandhian movement started its struggle for independence (see above).
- **Post-independence until 1970.** When India gained independence in 1947, the focus of all efforts suddenly changed towards purely economic concerns over measures to alleviate high population concerns, high unemployment and food scarcity. Government schemes were implemented to resolve macro economic problems, and the formerly Gandhian NGOs lost finances and support from the entrepreneurial class. Instead, they had to hope for support from the government and accepted state patronage. However, Gandhian rituals – such as doing a daily prayer before starting social work – were maintained for the sake of it, even when, contrary to the Gandhian ideals, there was no freedom to think or question anything. This is considered to have promoted mediocrity (IYENGAR 2002: 390-392). It is noteworthy that an NGO like All India Disaster Mitigation, established in 1989, follows Gandhian rituals, starting projects with prayers, for instance.
- **1970 until now.** In the 1970's, “the era of populist politics had begun” (IYENGAR 2002: 393). There was political turmoil and unrest in society. When Indira Gandhi of the ruling Congress Party decided to proclaim internal emergency so as to reduce the pressure upon her, the Gandhian NGOs that had always stood at the side of the Congress Party now publicly declared resistance. As a consequence, prominent NGO leaders were jailed. The state could not remain adverse to the NGOs forever, but since NGOs largely depended on governmental aid, governments could exert a certain influence on them. When foreign development aid increased during the 1970's and diverse agencies entered the scene, professionalism, but also market-oriented thinking, were introduced to the NGO movement (IYENGAR 2002: 397-398).

There is no doubt that the dependence of NGOs on financial support influences their work substantially. However, the restrictions, in particular those that the Indian government has introduced regarding finance and donor mechanisms towards NGOs, can also be seen in a positive light. During periods when more funds were distributed, nothing appeared to really change for the poor and funds were wasted without serving the people (BHAVNANI, R., World Bank/ UNISDR,

pers. comm., 14th Oct. 2008). Considering the large number of NGOs in India, it is necessary to take a closer look at what these organizations really do before decisions are made as to what should be supported and what should not.

3.6 SEWA, SETU and Aware Foundation

Each of the three NGOs that are briefly introduced here has a distinct core competence area that makes the organization unique. That is, in itself, a key factor of success of an NGO (BHAVNANI, R., World Bank/UNISDR, pers. comm., 14th Oct.

SEWA – The Self-Employed Women’s Association: Organizing female micro entrepreneurs

The SEWA trade union was founded by Ms. Ela Bhatt, lawyer and Member of Parliament of India and was registered in 1972. It is an organization of poor, self-employed women workers – the unprotected labor force of India. Of the female labor force, 94% are in the unorganized informal sector. These women live through labor or micro enterprises, without regular salary employment or welfare benefits. SEWA’s aim is to organize women workers for full employment, obtaining work and income security as well as food and social security (i.e. health care, child care and shelter). Self-reliance is a major principle of SEWA’s, meaning that women should be autonomous both economically and in their decision-making ability. The organization works extensively with micro finance schemes, running its own cooperative banks. SEWA is both an organization and a movement, with now more than one million members in the whole of India. The SEWA model has been transferred to developing countries worldwide. Ela Bhatt and SEWA received the Right Livelihood Award – the alternative Nobel prize – in 1984.

Source: www.sewa.org, Sept. 2008

SETU – the Centre for Social Knowledge and Action: fighting for human rights (entitlement of the disenfranchised)

SETU means “bridge” in various Indian languages (IYANGAR 2002: 398). It was established in 1982 by Mr. Achyut Yagnik. The organization works with the dispossessed, oppressed, marginalized minority communities in rural and urban Gujarat. Emphases are on empowerment through mobilization, organization and training, so as to develop leadership personalities and institutions to address issues of the marginalized poor. SETU works specifically to overcome gender-discrimination. SETU focuses on Dalit and tribal population, fishermen and other minorities on social justice and the right to livelihood. The organization operates in the States of Gujarat, Maharashtra and Rajasthan. Its annual budget is at 250 000 Rs.

Source: www.ngosofindia.com, Oct. 2008; YAGNIK, A., pers. comm., 8th Oct. 2008

Aware Foundation – Action with Awareness Regarding Education: promoting the education of street children

The Aware Foundation was launched in 2008 by Mr. Rajesh Bhat, who had been the head of the Ahmedabad Study Action Group for nearly 27 years (see chapter 2). It concentrates on child rights, education and rural poverty, with a particular focus on children’s issues. The aim is to rehabilitate the most disadvantaged children through education in order to achieve a more stable, respectful, meaningful and self-reliant upward life. Aware Foundation’s target groups include street children, children of commercial sex workers, of HIV-positive parents and of migrant families. Furthermore, Aware Foundation tackles the issue of child trafficking from Bihar. The organization’s philosophy is that appropriate education in childhood is a long-term remedy for socio-economic maladies. Since the organization was established in 2008, a total of 321 students (including street as well as tribal children and children of HIV-positive parents) have been supported. The associated Matrusmruti Trust has supported 2.500 students over the past ten years. To give an example, an engineering student in Ahmedabad University can be supported with a scholarship of roughly 7000 Rupees per month (equivalent to 145 US Dollars) which covers all expenses of living and studying. The Aware Foundation aims at engaging Indians living in the UK in the development of the poor.

Source: www.theawarefoundation.org, Aug. 2009; BHAT, R., pers. comm., Oct. 2008

Box 3.4 Overview of the Ahmedabad based NGOs SEWA, SETU and Aware Foundation

2008). The distinct profile of these NGOs serves as a frame of reference within which other NGOs, like CCISB, can be appreciated and evaluated. SEWA was the first NGO to address the importance of self-organization of micro entrepreneurs and built on a stable relationship with governmental agencies. SETU is a human rights based organization that, for the most part, embraces a balanced approach towards the government, although not always sharing the same views of issues of minorities. Aware Foundation takes up taboos of Indian society and works towards the integration of the outcastes of society by means of formal education.

3.7

CCISB – Chamber of Commerce for Industry and Small Businesses

As registered members of the CCISB were interviewed for this study and their responses served as a reference for interviews with non-registered micro entrepreneurs, closer attention will be paid here to the origins, objectives and activities, membership, financial schemes and to particular challenges faced by this NGO in the future.

Origin. CCISB was set up and administered by All India Disaster Mitigation Institute (AIDMI). After the 2001 Gujarat earthquake, AIDMI assisted 14 communities in terms of livelihood relief, shelter, infrastructure, education and training. For two years following the earthquake, 1200 beneficiaries of the already existing AIDMI Livelihood Relief Fund received secondary support as needed. At this point, it became clear that further assistance would be required in terms of financial support, since money lenders, on the one hand, charged high interest rates, and banks, on the other hand, demanded documents that disaster affected poor people could not easily provide. The beneficiaries discussed the possibility of a rotating fund from which they could borrow money under better conditions. As a result, CCISB was created. The Chamber of Commerce and Industries for Small Businesses (CCISB) was established in February 2004 in Gujarat, India. It is registered as a charitable trust under the society registration act. In 2007, CCISB had 4865 members in the States of Gujarat, Tamil Nadu and Jammu and Kashmir. 1000 members were living in the city of Bhuj. The annual membership fee of just 10 Rs makes the organization accessible for the very poor. The majority of CCISB members have monthly incomes between 1000 and 6000 Rs.

Objectives and activities. There are four guiding objectives for CCISB's work with poor small scale businessmen affected by disaster:

- restoration and development of the economy, economic situation and livelihood
- disaster risk reduction with respect to economic and social safety

- creation of awareness of disaster risk reduction, thus leading to disaster preparedness
- rehabilitation and development of cities and villages.

The four major activities of CCISB are the following:

- Revolving Fund (a microfinance activity without interest rates)
- Disaster Insurance (a micro insurance scheme covering 19 disasters and 95 000 Rs. of damage)
- Business Development Trainings and Services
- Exposure Visits.

Membership. CCISB as a relatively new institution made the decision to only work with people known to them from previous disaster assistance in view of ensuring efficiency. Thus, a member of CCISB is usually a previous beneficiary of the AIDMI Livelihood Relief Fund (LRF). This fund assists those affected by a disaster with the result of grave loss of their income: for instance, entrepreneurs who lost the capital and infrastructure to run their business. As beneficiaries of the LRF, the CCISB members also have access to long term micro insurance scheme, like Afat Vimo and the Revolving Fund.

There are several reasons why only LRF beneficiaries can become members of CCISB. Firstly, the beneficiaries of the Livelihood Relief Fund are the poorest and most vulnerable members of society. They are the worst affected by disasters and as such most in need of assistance. Secondly, given the large number of poor disaster affected people in the areas CCISB is engaged, the focus must be put somewhere, since CCISB does not have the resources to help everyone. To those registered by the LRF, support can be given in a faster and easier way. Thirdly, only a complete cycle of security, covering food, water, habitat, and livelihood support, capacity building, disaster insurance and training, will really prepare people for disaster and reduce their risk, since they will be less affected. It is therefore more sustainable to select a number of people who will receive all that is needed to prepare for the next disaster and to expand their number systematically, than giving little to everyone, with the result that everyone will be gravely affected next time. In simple words: the choice is between giving ten people an assistance of 100 dollars each or giving 100 people one dollar each. Obviously, a one dollar-assistance will not be of long-term sustainability (SADHU, H., pers. comm., Oct. 2007).

CCISB Revolving Fund. The CCISB revolving fund is a microfinance activity aiming at the economic development of poor people who cannot access traditional credits from banks as they lack a verifiable credit and employment history. Unlike many microcredit schemes, CCISB's Revolving Fund charges no interest, making it easier for poor people to take loans that will support economic recovery and development. The Revolving Fund is given for economic recovery only. Profit comes through the investments people choose to make with the money they receive from the Revolving Fund. The Revolving Fund is a project based

on trust: people help each other without administrative obstacles or interests. Between July 2004 and 2007, more than 148 people benefited from this fund.

Conditions of application. Only active CCISB members can apply for the Revolving Fund. They must already be beneficiaries of the LRF and run small businesses. Apart from that, applicants must come from a poor disaster affected household. They need to be economically active. To get access to the Revolving Fund, CCISB members ask the volunteers. The team then assesses the applicant and discusses with the volunteers. The application is written together with the applicant and sent to Ahmedabad where it is approved and returned. Under the surveillance of two witnesses, the member receives the draft. At the same time, papers are sent to the bank to start the bank process. CCISB convinced banks to lower the amount mandatory to open a bank account to 100 Rs, some demanding only 10 Rs. From application to receipt of funds, only 15 days are needed. **Conditions of repayment.** The Revolving Fund must be repaid within 12 months. Recipients who follow the rules and continue to be economically active can apply again. There is no limitation as to how many times a person can apply. After the CCISB member has received the Revolving Fund, the volunteer monitors the recovery progress by monthly visits with progress reports to the team.

Effect of the Revolving Fund. As internal reviews show, the Revolving Fund helps the beneficiaries to increase their income: they could buy more material for their shops and thus attract more customers. They earned significantly more money – even doubling their income – and could start saving which had been impossible before. From 2008 on, CCISB started to charge money for its service: per 10 000 Rs people receive from the Revolving Fund per year, they have to pay the amount of 500 Rs as a “service”, not as interest (SADHU, H., pers. comm., 12th Oct. 2008).

Challenges for the future include the following:

- Improve efficiency through establishment of digital databanks concerning beneficiary/member data. The relevant data would need be entered into the computer and continually updated.
- Improve evaluation processes by using digital databanks to monitor income developments of beneficiaries before, during and after receiving funds.
- Strengthen activities with more funding to reach more people in more (remote) areas and have more members.
- Expand activities with more funding to include persons who have not been part of the AIDMI LRF and yet may still be good candidates for CCISB membership and benefits.
- Expand activities with more funding to offer other appropriate funding schemes, such as an educational fund for parents who cannot send their children to school due to financial difficulties, or intensified disaster risk reduction programs, or infrastructure financing for clean water (tanks).

- Improve efficiency through establishing a headquarters in Bhuj with telephone, fax, copy machine, computer and internet access: the current time-consuming practice of sending all administrative work to the Ahmedabad head office of the mother organization AIDMI and back again could be avoided.
- Building networks through exchange visits between CCISB members in different states of India to support learning processes with different perspectives and experiences.
- CCISB should become an independent NGO with own bank accounts. As such, it would possibly be easier to apply for funding at an international level, without being dependent on AIDMI.
- CCISB has no own website.

This summary of the challenges faced by CCISB was based on an internal review report submitted to AIDMI in 2007 (THORSTENSEN 2007) and on personal communication with H. Sadhu in Sept. 2008. Part III of this study will evaluate the organization more thoroughly, applying criteria used by the Government of India and integrating aspects highlighted in the expert interviews. Along with the analyses of business and investment strategies of those micro entrepreneurs who are organized through CCISB, as measured against a control group, a clearer picture of what this organization is able to do or not will emerge.

Part II – Operationalization – qualitative and quantitative research

4 Qualitative analyses – case studies of micro entrepreneurs

“First, they ignore you. Then, they laugh at you. Then, they fight you – and then, you win.” (MAHATMA GANDHI)



Fig. 4.1 Outline Chapter 4. Source: Author's design

The following chapter presents ten selected case studies of micro enterprises from

- riot affected communities in Ahmedabad and Sabar Kantha
- earthquake and flood affected communities in Kutch
- flood and drought affected communities in Patan.

These case studies from the four disaster affected areas of the social science survey reflect about 3% of the total sample and served to complement the quantitative empirical analysis (chapter 6-9). The case studies comprised CCISB members and non-members, Muslim and Hindu families, female and male interviewees between 24 to 65 years of age. Table 4.1 gives an overview of the case study sample.

The objectives of presenting the case studies are, on the one hand, to give a deeper insight into the real living conditions of the poor at the micro level of households, and, on the other hand, to highlight to what extent “the masses of poor people” differ at the micro level of households when it comes to individual coping strategies. In particular, it is made evident that development work should take activities and attitudes of the target population at the micro level of individual households into account when defining approaches to alleviate poverty through microfinance schemes. Main findings from these case studies are summarized at the end of the chapter. It should be mentioned that although some of the family names of the interviewees are identical (Baloch, Parmar, Gor, Mansouri, i.e.), none presented here are related. Rather, the similarity in surnames reflects similarity in caste or living area. It is of note that the Indian concept of “quality of life” with respective investments the interviewees referred to comprises the Western concept of social security, as will be explained in more detail in chapter 5.

Tab. 4.1 Case study sample

District	City/village/community	Gender	Religion	CCISB membership
Ahmedabad	Ahmedabad, Gomtipur	female	Hindu	CCISB member
Ahmedabad	Ahmedabad, Behrampura	female	Hindu	Non-member
Ahmedabad	Ahmedabad, Behrampura	female	Muslim	CCISB member
Kutch	Bhuj, Ashapuraganagar	male	Hindu	CCISB member
Kutch	Bhuj, Ashapuraganagar	male	Hindu	Non-member
Kutch	Bhuj, Ashapuraganagar	female	Muslim	CCISB member
Patan	Radhanpur, Shergadh village	female	Muslim	CCISB member
Patan	Radhanpur, Najupura village	male	Hindu	Non-member
Sabar Kantha	Modhasa, Rashidabad	female	Muslim	CCISB member
Sabar Kantha	Modhasa, Rashidabad	male	Muslim	Non-member
Total sample	<ul style="list-style-type: none"> • 10 case studies (3 in Ahmedabad, 3 in Kutch and 2 each in Patan and Sabar Kantha) • 6 female and 4 male interviewees, 6 CCISB members and 4 non-members • equal ratio of religion 			

Source: N. SLIWA 2009: Business and investment strategies of micro enterprises in disaster affected areas of Gujarat, India. Survey: 2008

4.1

District of Ahmedabad – riot affected urban communities

4.1.1

Hindu micro entrepreneurs in Gomtipur, Ahmedabad – CCISB members

Narmadaben and Maheshbhai Parmar, Sept. 23, 2008

Area. Gomtipur is a slum area located in east Ahmedabad. It is a mixed community of Hindus and Muslims that were heavily affected by the Ahmedabad riots. During the riots, many people went missing, were attacked or even killed. Most of the time, the slum area was under curfew. People were in panic, but being so poor, they had no other option but to continue living here.



Fig. 4.2 Narmadaben Parmar, a Hindu CCISB beneficiary from Gomtipur, Ahmedabad. Note: Hindu women cover their head out of respect when guests come into the house. Photo: N. SLIWA, 23rd Sept. 2008

Household information. Narmadaben and her family live in a nice two room house with two storeys. Their production machine, business materials and necessary utensils are stored upstairs. The house has a terrace with a view over the neighbourhood. The atmosphere in the household is friendly and welcoming. The interviewed Hindu family consists of the following members: Narmadaben, aged 36, has attended primary school and her husband Maheshbhai, aged 46, has completed middle school. They have two sons, aged 13 and 11 who are in middle school. The mother-in-law is 68 years old and has finished middle school. The household joined CCISB in 2007. The main advantages of having joined CCISB are the Revolving Fund as well as the disaster insurance. However, the household feels that the amounts of the Revolving Fund are too small, and they would like to get help with the school fees of their children.

Business information. Before the riots, Narmadaben was producing Saris and blouses. During the riots, once when she came from the market, she found her home and business looted. She had to start all over again. AIDMI found out about her problems and gave her two different types of relief: first, they provided her with tools to make a livelihood, and she received microfinance support in the

form of the Revolving Fund which was supposed to initiate business development. However, after the riots, saris did not bring any profit anymore, which is why she changed her business and became a producer of lime-tobacco plastic tubes. Husband and wife now work together in the business. He organizes the raw material and delivers the supplies; production is done together. They have expanded their business and would like to employ more people. However, this is not possible as they do not have enough space for the storage of the products (production and storage are located in a room on the terrace), and cannot share storage facilities with others due to the uniqueness of their business in the neighborhood. There is no particular peak season for the business of the Narmadabens: the demand is always high. However, in the summer, the conditions of production are more difficult because of the heat.

Revolving Fund. Being affected by the disaster, Narmadaben received 5000 Rs from the Revolving Fund in 2007 (at the time 108 US \$). By the time of the survey in 2008, she had already repaid this. In addition, the household invested 2000 Rs from their own small budget. With a total of 7000 Rs (150 \$), they had three different types of work done in their house:

1. enclosure of toilet and bathroom to make them more private as they had been open before
2. repair of windows and the front door, broken as a result of the riots
3. encasing of stairs leading up to the terrace in order to prevent anyone from falling down the stairs.

Cash/credit/money circulation. Twice a month, the family purchases raw materials in a bag at a unit cost of 3000 Rs. After production, they resell the goods to the supplier for 4500 Rs per bag. The profit is 1500 Rs, which is a 50% profit margin. Thus, their net profit per month is 100% or 3000 Rs (68 \$) if they sell both bags. This is equivalent to an average monthly wage in India (2008). When they purchase in cash, they get up to 10% discount. In 95% of the cases, they purchase in cash and increase their profit. They can also earn more by producing more. Thus, the new business has helped them to double their earnings: before CCISB membership, they earned 50 Rs a day; since they joined CCISB, they make an average 100 Rs a day.

The 3000 Rs they invest twice a month in order to purchase their raw materials is a rotating sum: they always invest the same amount, collect the profit of 1500 Rs and re-invest the 3000 for the next bag. The initial amount of 3000 Rs came from their sari production. When Narmadaben changed her business, she invested this money in the start-up of the lime-tobacco plastic tubes production. Their monthly net profit of 3000 Rs can be invested in household needs, food, clothes, school fees etc. Since they own their house, they do not have to pay rent from that sum. This is why the 3000 Rs per month is an amount that allows them to maintain a decent life. Their lifestyle has improved considerably in comparison to before the disaster.

Answering the question why she purchased from only one supplier, Narmadaben answered that the supplier was regular, they had a good relationship and they had a long-term commitment. When she was asked how she would increase her credit among dealers, Narmada answered that the absolute maximum credit one could get were 10 000 Rs, a sum that nobody would ever exceed. However, she was able to get credit in the past because she paid back regularly. She added that when people see that you have a capacity to pay back the money you owe someone, they might give you up to 10 000 Rs as a credit. She made it a point to be regular in her repayment to ensure that she could credit when she needed it.

Before joining CCISB, Narmadaben had to rely solely on loans of private money-lenders. With CCISB membership, she profited from the Revolving Fund that CCISB provided. However, in cases of emergency, for instance, when she needs more money urgently, she still takes loans from private money-lenders. The duration of such credits is usually 12 months with an interest rate of 2-5%. With private money-lenders, there is no application procedure. Although CCISB provides the Revolving Fund speedily, it takes between 7 and 10 days to have the money approved. The loans Narmadaben takes outside of CCISB serve two main purposes: social things and health. CCISB does not provide loans for these purposes.

Unique selling propositions and disaster risk reduction. As her unique selling points, she named the fact that she produced good quality and that the service she provided was good. Also, she had a regular business and was on time. She stressed that her situation was now much better than ever before. When asked what she had done to reduce the disaster risk for her household, she answered that she now had Afat Vimo disaster insurance provided by AIDMI. However, she would have liked to do more, for instance, save extra money for disaster occurrences, but she had not been able to do so until now.

Personal views on CCISB. Finally, Narmadaben was asked about her view on CCISB. She reported the following: “It is a very good activity, and because of you, we are able to improve our business and lifestyle. We hope you will continue your work the same way.” What could be improved about CCISB? Narmadaben referred to the points she had already mentioned as “disadvantages” of CCISB: “Give more credit to people, and if possible, pay school fees for the children. If you do these two things, CCISB will be growing very fast and will become really, really big.”

Lessons to be learned. With her business, Narmadaben is at the center of the family’s income generation – her husband started to support her, and they now work together as a team. This can be seen as an indicator of empowerment at the household level – Narmadaben has redefined her traditional female role, to the benefit of the whole family. Furthermore, Narmadaben showed flexibility and adaptive capacity when her sari business did not make a profit any more. She was innovative enough to switch to a highly profitable market niche.



Fig. 4.3 Narmadaben showing her production machine of lime-tobacco tubes in the upper story of her house. Photo: N. SLIWA, 23rd Sept. 2008



Fig. 4.4 Narmadaben, her husband and one of her sons. Photo: N. SLIWA, 23rd Sept. 2008



Fig. 4.5 View from terrace on the upper story of the house, next to the production place. Photo: N. SLIWA, 23rd Sept. 2008



Fig. 4.6 During the interview, with Kalpesh translating. Photo: S. OZA, 23rd Sept. 2008

4.1.2

Muslim micro entrepreneurs in Behrampur, Ahmedabad – CCISB members

Yasminben and Rafiqbhai Ajmerwala, Oct. 11, 2008

Area. Behrampur is a Hindu-Muslim mixed slum community located in the south of Ahmedabad, with a Muslim majority. During the 2002 riots, parts of the community were heavily affected. **Household information.** The Muslim household interviewed consists of the following family members: Yasminben, 42 years old, her husband Rafiqbhai, 45, and their three sons, aged 6, 10 and 13. Yasminben had finished middle school, her husband primary school, and all of their sons were currently in primary school. Yasminben immediately offered the interviewers delicious sweets she had cooked from milk and grains, a special-

ity made during the Muslim fasting month of Ramadan. Yasmin was not only a good businesswoman, as could be observed during the interview with children entering every couple of minutes to buy snacks and drinks, but she was also very hospitable and warm-hearted, taking a lot of her time to answer questions and making the researchers feel at home.

Disaster impact. During the 2002 riots, Yasminben was pregnant with her youngest son. The family lost everything. Their house was looted and then burnt down, and she had to run bare feet and jump from the stairs to save her and her children's lives. Her husband had to go to jail and was released only when the youngest son was one and a half years old. Yasminben herself spent four months in a relief camp. Her eldest son suffered from psychological problems



Fig. 4.7 Yasminben Ajmerwala, a CCISB beneficiary in Behrampura, Ahmedabad
Photo: N. SLIWA, 11th Oct. 2008

due to the riots and underwent a one year treatment in the Municipal hospital. After the 2002 riots, the Islamic Relief Committee rebuilt Yasminben's house and funded the two elder sons' education in English schools in the state of Kerala where the children could continue a life without facing their trauma every day. The eldest son lost five years in school because in Kerala, they had to restart learning in English. In Gujarat, he had been in the 5th grade. The eldest son wants to become an engineer; the middle son would like to be a doctor. Yasminben

sends parcels with sweets and gifts for her sons and other children, but she was told not to visit them in Kerala because most of the children are orphans. They would feel sad to see other children's parents. Her sons visit her frequently, and they spend their summer vacation in Gujarat.

CCISB as a facilitator. Yasminben joined CCISB in 2004 because of her bad experiences before. She wanted to improve her situation. She saw the main advantages of CCISB in the Revolving Fund and the insurance in case of disaster. She added that CCISB helped her increase her income. Even when the question of possible disadvantages of CCISB was repeated and reformulated, Yasminben insisted that she did not see any disadvantages. She came to know about CCISB through AIDMI.

Business information. Yasminben's one-room house is also her business site. She runs three different businesses: (1) she sells milk, soft drinks and snacks that are mainly bought by school children, (2) she sells edible oil in small quantities that she purchases in tanks, (3) and she makes rotis (thin, flat bread) for nearby hotels (main income). Her business is at a very strategic location: near the main road and near the school. During the interview, dozens of school children passed

by to buy snacks and drinks. Yasminben's home is basically a tiny supermarket for the whole neighborhood and nearby school.

Roti business. Yasminben started her roti business by asking nearby hotels if they would like to order rotis. Initially, smaller hotels in the Sha'alam area nearby started ordering, but now, most orders come from near the main road. For the interviewer Sanchit, it was a surprise that even small hotels have their rotis produced externally. For roti orders, Yasminben now has a 12 year contract. She bakes 500-600 rotis every day, 365 days a year. She earns 70 Rs per 100 rotis (1.60 \$), which is a 50% profit because for 100 rotis, she spends 35 Rs. From selling rotis, Yasminben earns between 350 and 420 Rs per day (8 \$ up to 9.60 \$), of which her daily profit is between 175 and 210 Rs (4 \$ up to 4.80 \$). At 4 a.m. in the morning, she buys flour and picks up the milk she sells later on. By 11 a.m., she finishes baking rotis. Around 6 to 7 a.m., her first clients arrive. As with all of her businesses, Yasminben purchases in cash which gives her a 10% discount.

Other businesses. Edible oil business. One oil container of 15 kg costs 1000 Rs. By reselling it in smaller quantities (50 tins), Yasminben earns 1200 Rs per container, making 200 Rs profit. Certain wholesalers sell them on a cost-price level, keeping the empty tin which is worth 25 Rs as their profit. Within one month, she sells 20-25 tins. For the business woman, "one cycle ends when I recover 100% profit". This usually takes about 2 to 2½ months. By purchasing the oil in cash, she only has to pay 900 Rs per container, which increases her earnings by 100 Rs. If she buys ten containers at 900 Rs, she gets one container free. She also gives oil on a credit basis to the surrounding households. **Milk, cold drinks, eggs and snacks.** A milk bag has its fixed price printed on the bag: half a liter costs 12 Rs. Yasminben sells the bags at 12.50 Rs, giving her a profit of 50 Paisa per bag. A 200 ml bag is sold at 4 Rs which is also the purchasing price. She sells 30-35 bags a day. As Yasminben told us, the milk business only serves to pay her electricity bill, in particular for the refrigerator she needs for the cold drinks and the eggs which she sells at a very good profit. One small cold drink costs 50 Paisa and is sold for 1 Rupee. On a school day, she sells up to 50 cold drinks, on holidays 25. One package of snacks costs 5 Rs. When she buys 10, she pays 40 Rs and resells them at 50 Rs, so her profit margin from the snacks is 20%. **Rafiqbhai's business.** Rafiqbhai drives a rickshaw that he rents for 150 Rs per day. The couple has an agreement that every day, Rafiqbhai gives his wife 100 Rs from his earnings. Yasminben does not know how much her husband drives or what he earns. She says she is not concerned about this as long as he pays her the 100 Rs on a daily basis.

Supply and sales practices. Previously, Yasminben had different suppliers but for the last one to two years, she has had only one supplier for all of her businesses. The reason is that this wholesaler offers good quality at reasonable rates. She has always purchased all of her products in cash, thus benefitting from discounts between 10 and 20%. The peak seasons for her businesses are certain

festivities such as Ramzan. However, her busiest hours are on school days when school is out.

Cash/credit/money circulation. Before joining CCISB, Yasminben took a loan of 20 000 Rs from SEWA bank (436 \$ in 2003), but the interest rates are higher than the CCISB Revolving Fund which does not charge interest. For the SEWA loan, she had to pay 4500 Rs in interest alone. She took the loan from SEWA to invest into business assets. The interest rate according to the market would be 5-10%, depending on the investment planned. Yasminben explained that the duration of a loan depended on how regularly the credit and interest were paid back. She said that if payments were regular, people could take two to three generations to pay back. Before joining CCISB, she had also taken a Revolving Fund from AIDMI. So far, she has made use of the Revolving Fund three times and her credit record is very good. The first time she took a loan of 5000 Rs, the second time she received 10 000 Rs and the third time 20 000 Rs. To increase her credit, she has always paid back regularly. Expanding her business increased her income and her credit. She described the difference CCISB had made in her life as follows: even before joining CCISB, she used to work very hard, but now, she earned for the same hard work. She said there was a dual benefit: not only did she earn more, but she could also save the interest rates she had to pay before. When asked how she had increased her income, she said it was thanks to the Revolving Fund and microfinance. When she had had to borrow money from the market, she was not able to purchase in large quantities. She would buy 2-3 tins of oil that she then resold with a slight profit. Now, she can buy oil containers and sells close to 50 tins within two months. As she does not have to pay high interest rates, she can purchase larger quantities, sell more and increase her profit. Since she started taking loans from CCISB, her situation had improved greatly. Before joining CCISB, she earned between 100-200 Rs per day. Now, her daily earnings are at 400-500 Rs. Her profit has increased from about 100 Rs a day to more than 300 Rs a day. She can save now up to 5000 Rs a month (114 \$ in 2008) and has managed to save 70 000 Rs in one year (1 600 \$). She sends parcels to her children with goods worth up to 500 Rs every month and adds the same amount in cash. Although the schools they go to in Kerala are run by social institutions, parents can contribute to costs by donating according to their capacity. Thus, every month, Yasminben sends 2000 Rs for each son. This adds up to a total school fee of 4000 which she pays voluntarily. According to Sanchit, who translated during the interview, Yasmin was even better off than many staff at AIDMI.

Strength of/threats to the business. The unique selling propositions of Yasmin's businesses are the good quality of her products, enough quantities, good behavior and good service, a good business location and regularity of service. When asked in what way she invested in her quality of life, she answered that she saved money on a regular basis, that she spent money on her children's education and on certain festivities. According to Yasminben, factors defining the success of a business are good business assets, reputation in society, avoiding

high interest rates, savings and a regular business. Personal success was for her to be able to give credit to someone else, to receive respect and draw attention and to have savings. To reduce her disaster risk, Yasminben now has an Afat Vimo disaster insurance and a SEWA insurance. She also has extra savings in case of a future disaster occurrence. **Opinion about CCISB.** When asked about her personal opinion regarding CCISB, Yasmin said that this organization did good work for people like her, and that they should make even more funds available for business development.



Fig. 4.8 Yasminben in her one-room house *cum* business showing two of her activities: snack shop with snacks hanging from the ceiling and cool shop with refrigerator to keep milk and eggs cool. Photo: N. SLIWA, 11th Oct. 2008



Fig. 4.9 View from the bed of the one-room house showing the cooking area and the refrigerator nearby. Photo: N. SLIWA, 11th Oct. 2008



4.10 A view from outside into Yasminben's house and business place. Photo: N. SLIWA, 11th Oct. 2008



Fig. 4.11 Yasminben and her youngest son at the entrance to their one-room house. Photo: N. SLIWA, 11th Oct. 2008

Serving as a role model. Before Yasminben started doing so well with her businesses, her husband did not do anything. But seeing his wife's hard work, he was inspired to contribute to the household. He now draws a rickshaw and can keep what he earns as long as he contributes 100 Rs a day to the household (1.29 \$). Yasminben added that in her own community: "We have earned respect, and we serve as an example". The interviewer Sanchit concluded, after listening to Yasminben, that he had become more aware of the potential in women's empowerment.

Lessons to be learned. Yasminben's activities embody not only empowerment, but innovation: as a Muslim woman on her own, with her husband first imprisoned for several years and then slow to contribute to the family income, she could either learn to swim or sink. She developed an innovative business idea by turning a daily female routine in India – baking rotis – into a profitable market niche. She expanded quickly, saved money, motivated her husband to start earning again and now serves as a role model for other women. Yasminben's children are likely to have a better future because they go to English schools and have a mother to look up to. She is the living proof that individuals can become their own agents of change; she recovered from disaster and blossomed financially.

4.1.3

Hindu micro entrepreneurs in Behrampura, Ahmedabad – non-members of CCISB

Dahiben and Dungarbhai Parmar, Oct. 8, 2008

Area. Behrampura is a Hindu-Muslim mixed slum community located in the south of Ahmedabad with a Muslim majority. During the 2002 riots, part of the community was heavily affected. **Household information.** The Hindu household has the following members: Dahiben, a very small woman who seemed undernourished (37 years old) and her husband Dungarbhai, 39 years old, two sons



Fig. 4.12 Dahiben Parmar, a Hindu non-beneficiary from Behrampura, Ahmedabad
Photo: N. SLIWA, 8th Oct. 2008

of 19 and 8 and three daughters that were 14, 12 and 10 years old. Neither Dahiben nor her husband have any formal education. The 19 year old son has completed middle school; all of the other children have only finished primary school. The whole family lives in one small room that serves both as kitchen and sleeping area. The room has no ventilation.

Business information. Dahiben works as a vegetable vendor. The handcart that made her business mobile was stolen one and a half years

ago. Now, she mainly sits at the roadside selling vegetables in the same area as before, aided by her husband. He used to be a daily laborer, driving a cycle rickshaw for transportation of goods. His rickshaw was also stolen one and a half years ago. He tried to file a complaint at the local police station but the police demanded strong evidence for the theft. This is why their complaint was not registered. Since then, the husband is not earning a separate income. The only family income is provided by Dahiben selling vegetables. When Dungarbhay was asked why he did not start working again, he responded that he was illiterate and did not know any other work than rickshaw driving.

When asked with what Dahiben would need help with her business, she answered “with financial matters“. The material for her business is costly and she cannot expand her business. As vegetables can be sold at higher prices in winter, this season is particularly profitable. As strong points of her vegetable business, Dahiben named having “enough quantities of her products” and being “regular”. She added that she did not know any other type of work. Dahiben thought the following to be factors that define the success of a business: reputation in society and regularity. She said that personal success was for her to own a house and to be able to send the children to school.

Cash/credit/money circulation. Dahiben purchases from one supplier, but not from one fixed person: “She takes whoever charges less”. She pays up to 50% of the goods in cash, depending on how much money she has. When she purchases in cash, she gets up to 50% discount and can purchase material worth 150 Rs for only 100 Rs. Otherwise, the supplier gives her up to one month credit. When purchasing on credit, the interest rate is at 5-10% and usually, the money needs to be returned the same evening. The duration of credits is either daily or monthly. The interest rate is charged at hoc, which is a general practice. To increase her credit among dealers, Dahiben pays back regularly and has a good relationship with her creditors. She also takes credits from relatives or neighbors. Per day, she earns between 200 and 300 Rs, of which up to 100 Rs are profit. Annually, however, the couple can save only 150 Rs. (3.43 \$ in 2008). They do not have a BPL card, but a ration card. **Disaster risk.** During the last disaster, the family suffered from a loss of income. They have not done anything since to reduce the disaster risk for their business.

SEWA bank loan. The couple judged that their situation was much better than five years ago, due to a bank loan of 20 000 Rs that they received from the SEWA bank. This loan made it possible for them to send their children to school and to construct their one-room-place that they live in. They are able to pay back their bank loan regularly.

Lessons to be learned. Both of the parents in this household lack a formal education, but the difference between them is that the wife is innovative and willing to do what is necessary to make ends meet, whereas her husband has never gone back to work after his cycle rickshaw was stolen. The only family income is now generated by the wife. This particular case study illustrates to what extent

personal attitude and responsibility at the micro level are important factors of development (different approaches of husband and wife) – an aspect also highlighted in the case study of Yasminben.



Fig. 4.13 During the interview in the one-room house that serves as kitchen, living space and sleeping area for a family of seven people. Translator: S. Oza. Photo: K. PRAJAPATI, 8th Oct. 2008



Fig. 4.14 A view of the room from outside, taken during the interview. Dahiben's husband is sitting near the door. Translator: S. Oza. Photo: K. PRAJAPATI, 8th Oct. 2008



Fig. 4.15 Storage of kitchen utensils near the ceiling. Photo: N. SLIWA, 8th Oct. 2008



Fig. 4.16 The way leading to Dahiben's house. Photo: N. SLIWA, 8th Oct. 2008

4.2 District of Kutch – earthquake and flood affected communities of the City of Bhuj

4.2.1

Hindu micro entrepreneur in Ashapuraganagar, Bhuj – CCISB member

Dhidrajbhai Gor, Oct. 15, 2008

Area. The district of Kutch is ranked as “Zone 5” by the Indian Government, a zone with the highest possible seismic risk. Bhuj, capital of the district of Kutch in the state of Gujarat, was gravely damaged in an earthquake of magnitude 6.9 on the Richter scale on January 26, 2001. More than 20 000 people lost their lives, and 166 000 were injured. Approximately 600 000 people were left homeless; almost 350 000 houses were completely destroyed (<http://cires.colorado.edu/>, July 12, 2009). Considering that it was common in this district to construct housing using natural stones from the area without mortar or any earthquake-proof technology, it is not surprising that the number of victims was particularly high. Many houses collapsed entirely, burying thousands of people (pers. observation made during a field project in Bhuj, Sept. 2005). The last major disaster in the area was in 2007 with heavy flooding. In Bhuj, AIDMI has done extensive work since the 2001 earthquake, CCISB became active in 2004.



Fig. 4.17 Dhidrajbhai Gor, a Hindu CCISB beneficiary in Ashapuraganagar, Bhuj. Photo: N. SLIWA, 15th Oct. 2008

Household information. The Hindu household of Dhidrajbhai Gor is made up of three adults – the husband (42 years old), Dhidrajbhai’s wife (38 years) and his mother (70). The couple has no children. Dhidrajbhai went to primary school, his wife and mother are both illiterate. Dhidrajbhai owns the house his family lives in. However, the slum was constructed illegally, as was his house. The family have just finished painting the façade, but Dhidraj’s long-term plan is to buy a house in a legally constructed area. The house is proper and nice, and its

atmosphere welcoming and friendly. The ladies continued their work during the interview with Dhidrajbhai and smiled.

Business information and development. Dhidrajbhai produces snacks, food for children as well as typical Indian soft drinks. He is a wholesaler, buying raw

material for his snack production and selling it to retailers. His business is mobile. Dhidrajbhai sells the snacks produced at home at different places. From the beginning, his mother and wife have been involved. He started his business ten years ago and has expanded three times: initially by purchasing vehicles (starting with just one bicycle, he later bought a motorbike and then an auto rickshaw), then by increasing raw material quantities and then product diversification (soft drinks plus snack production). Winter and summer are good seasons because this is when snacks and cold drinks sell particularly well.

CCISB's advantages/disadvantages. Dhidrajbhai has been a member of CCISB since 2005, learning about the organization from Halimaben, a local community volunteer for All India Disaster Mitigation Institute (AIDMI). For him, the main advantages of CCISB are the Afat Vimo disaster insurance and the interest-free Revolving Fund (his two principal reasons for joining the organization), as well as trainings for business development, being part of a network, learning about disaster risk reduction and the contribution of CCISB to community infrastructure development (Note: After the 2001 earthquake, AIDMI started a community infrastructure development project in Bhuj in which CCISB is also involved). However, he finds the amounts of the Revolving Fund too small. Twice, he received 10 000 Rs, but for better business development, he would need a larger sum of 20 000 Rs. Another disadvantage is the lack of help given to access material in order to expand. Dhidrajbhai has been able to expand his network with other CCISB members since joining.

Supply/sales practices. Even before joining CCISB, Dhidrajbhai purchased his raw material in cash, but bought smaller quantities than now. Before, he purchased material worth 500-1000 Rs per week, whereas now, he buys material for 2000-2500 Rs per week. For purchasing in cash, he gets a 10% discount. In addition, if he needs material on credit, he gets credit at good conditions. Dhidrajbhai also received discounts before, but not as high as he does now. He continues to purchase from wholesalers in Bhuj, although he changed his suppliers when he expanded from soft drinks to snack production. His relationship with them is good.

Whereas before joining CCISB, Dhirajbhai sold snacks and soft drinks for about 200-300 Rs per day, of which 100-150 Rs were his profit, he has nearly doubled turnover and profit now, selling for about 300-400 Rs per day, making 200 Rs profit (4.58 \$). Dhirajbhai has always made it a point to save, even when he was earning less. However, now he can save more; before he was saving 20-25 Rs per day, now 100 Rs per day.

Cash/credit/money circulation. According to Dhirajbhai, the market interest rate for credit was at 10% per month. He avoids buying on credit because "purchasing in cash gives credibility and confidence". Expanding his business and keeping up good relationships with his creditors have helped increase his (potential) credit. Dhirajbhai also avoids taking external loans where possible due to the high interest rates. In order to construct the house the family lives in, he

borrowed 20 000 Rs from his relatives and paid back in full. The actual value of the house that was finished 6-7 years ago is at 65 000 Rs, if one includes Dhirajbhai's own labor. Before the construction of their house, the family rented a living space for 600 Rs per month. Dhidrajbhai said that this loan of 20 000 Rs helped increase his income because he now has 600 Rs more than before each month.

After joining CCISB, Dhirajbhai received two loans of 10 000 Rs each from the Revolving Fund which he repaid. He used this money to expand his business, to purchase more raw material and the necessary machines for the packaging of the snacks. A good machine costs a minimum of 1500 Rs, but prices for an automatic machine go up to 25 000 Rs. He stated his profit had increased by 100 Rs per month due to the investments made with the Revolving Fund.

Strength of/threats to the business. Dhidrajbhai has the Afat Vimo disaster insurance, but no BPL card. He stated his business strengths have always been good quality and cleanliness, but now he also pays attention to good behavior, good sales locations and regularity. When asked about his expenses for/investments in quality of life, Dhidrajbhai said he saved money on a regular basis and spent some money on festivities. Before being a CCISB member, he invested around 1000 Rs in quality of life. Now, the amount is between 1000 and 3000 Rs. It was surprising that Dhidrajbhai considered his business success to be “average”. When asked to specify his judgment, he said that sometimes, his business went really well, but sometimes, it just did not, which means his income was not a regular, fixed amount. Since joining CCISB, his situation has improved for several reasons: he now had good business assets and a regular business, as well as a good reputation in the market. Furthermore, he is not paying interest rates and can save. For Dhidrajbhai, factors of personal success were owning a house, being able to give credit to someone else, getting respect and attention, being able to pay social expenses without hesitation, being invited to social events and being able to save.

Disaster impact. The last disaster that affected Dhidrajbhai personally was the 2007 floods, when he was not able to go outside to pursue his business. His material was damaged and he had less income because he could not sell anything. To reduce the disaster risk of his business, he now has insurance, attends AIDMI's disaster risk reduction trainings and has put aside extra money to handle future disaster occurrences.

Opinion about CCISB. Dhidrajbhai felt that the Revolving Fund and disaster insurance especially were “really good CCISB activities”, and that these were the “main reasons for the trust poor people put in CCISB”. However, he suggested the following improvements: to increase the amounts given from the Revolving Fund and to open some kind of material depot for businesses.

Lessons to be learned. The main factors of success in this household are the family's attitude, personal work ethos, handling of money and long-term productive investments (savings, investing in personal property with plans to pur-

chase a house in a legal area). The family pays attention to saving, as well as purchasing everything in cash and not taking loans. It is a particular strength that everyone in the family contributes to the business, including Dhirajbhai's illiterate wife. The benefits of microfinance schemes such as the Revolving Fund are simply an added extra to the long-term success of this family. Even before benefitting from the Revolving Fund, the family was doing comparatively well (no debts, own property fully paid for). Here it is clear that education levels do not play a decisive role in the family's success. The education levels are low, with several family members being illiterate but attitude and personal behavior make up for the lack of education.



Fig. 4.18 Dhidrajbhai's wife doing laundry in the compound of their house. Photo: N. SLIWA, 15th Oct. 2008



Fig. 4.19 Newly painted façade and Dhidrajbhai's motorbike, his „business expansion“ Photo: N. SLIWA, 15th Oct. 2008



Fig. 4.20 Dhidrajbhai next to his mother, showing the material he uses for packaging his goods Photo: N. SLIWA, 15th Oct. 2008



Fig. 4.21 The way to Dhidrajbhai's house, in the immediate neighborhood of Ashapurannagar, Bhuj. Photo: N. SLIWA, 15th Oct. 2008

4.2.2

Muslim/Hindu micro entrepreneur in Ashapuranager, Bhuj – CCISB member

Halimaben Gor, volunteer at AIDMI and CCISB member, Oct. 15, 2008

Household information. Halimaben Gor, a Muslim woman of 37 years, who has completed Standard 7, is married to a Hindu widely known as being an alcoholic. Halimaben's violent husband does not work at all. She has considered divorcing him, but dropped the thought when advised by Sadhubhai, CCISB secretary general and AIDMI field worker, not to do so: a married woman, no matter how bad the husband might be, is safer in Indian society than a divorced, single mother. Halimaben, who lives in the slum community of Ashapuranagar, has been an AIDMI volunteer for several years. She manages household, finances and two children of 10 and 12 years successfully and serves as a role model for many women. Being solely responsible for the family income, she has been able to achieve modest wealth: her clean little house has fans, a television and a refrigerator which are all paid off. Her children attend school regularly; she has paid off a high loan and is still saving money.



Fig. 4.22 Halimaben Gor, a Muslim AIDMI volunteer and CCISB member showing her traditional Kutchi textile work. Photo: N. SLIWA, 15th Oct. 2008

Personal loan. Ten years ago, Halimaben had to take a loan of 35 000 Rs for “social expenses” (819 \$ in 1998) – her uncle's funeral. In order to get this loan from a bank, she had to hand in all of her golden jewelry as a guarantee. This guarantee made it possible for her to get the loan at just 5% interest back then, which, according to Halimaben, was “a good deal”. Without this guarantee, the interest rate would have been 10-12%. It took Halimaben ten years to pay off the loan for her uncle's funeral. She ended up paying 80 000 Rs in total (1833 \$ in 2008). When she was interviewed for the survey, she had just finished paying back the loan and proudly wore her golden bangles again that she had received back from the bank.

This example illustrates to what extent investments in social expenses in order to build social capital in the context of Indian slum communities may affect a household's financial situation for years.

Business information. Halimaben and another AIDMI Muslim volunteer and CCISB beneficiary, Keruben Sidi, started up a business together with 50 other women, all of them CCISB members. These two buy the material needed to make traditional Kutch dresses, prepare them for production and sell them to suppliers. Each woman in the group prepares the material for about 3-4 com-

mon saris per month, or 1-2 more delicate saris. It is the supplier who makes the final saris. Halimaben is well aware of the fact that sewing (“badni”) would be more profitable than just preparing the raw material. However, the group does not want to carry the risk of not being able to sell their saris because of changing fashion trends, this risk is carried by the final sari makers.

Supply/sales practices. The raw material costs 975 Rs per piece. The prepared material is sold at 1350 Rs, from which labor and color cost are deducted. The pure profit per sari is 100 Rs. Credit. For the whole group, Halimaben and Keruben took 300 000 Rs from the Revolving Fund in May 2008 (6873 \$). They keep accounts and have not yet used all of the money. The women do not work during the rainy season (two months).



Fig. 4.23 Halimaben Gor and Keruben Sidi discussing business details. Photo: N. SLIWA, 15th Oct. 2008



Fig. 4.24 Group picture of Halimaben, her husband, son and the researcher in front of Halimaben’s house. Photo: H. SADHU, 15th Oct. 2008



Fig. 4.25 View from Halimaben’s house into the compound of the AIDMI local community center (right side) where meetings are held. Photo: N. SLIWA, 15th Oct. 2008

Strength of/threats to the business. The amount taken from the Revolving Fund appears particularly high, as do the risks. The fact that the women are not able to work during the rainy season could endanger their business success in the long run. The profit of 100 Rs per piece is not very high if one considers that each woman can only prepare 3 to 4 pieces of material per month. From the profit made, the collective still needs to pay back the 300 000 Rs loan. Selling final products, such as saris or Panjabi dresses, might seem more risky, but could be more profitable in the long-term if accompanied by the development of an “Eco-brand”, similar to the example of SEWA’s Banascraft project.

Lessons to be learned. In the past, Halimaben and Keruben have proven their pragmatic approach to problems and their ability to saving money and improve their livelihoods through own efforts. Their business idea is grand and starts big, an approach which might mask the difficulties hidden at a small scale level, i.e. the rather low profits per piece per woman, and the fact that the strategy chosen here – selling prepared raw material, not final products – does not maximize profits. The huge amount of money provided to the collective has not been fully used. If one considers that the whole Revolving Fund only contains 500 000 Rs, of which 300 000 are now bound, the question may be raised whether or not it would have been more just to divide the loan into smaller amounts, so that others can still profit from the Fund. One might conclude that handling of credit, finances and businesses should possibly be a more integral part of CCISB’s mission, teaching people how to use their own resources first and how to set up detailed business plans before granting them large amounts interest free without questioning the business strategy.

4.2.3

Hindu micro entrepreneur in Ashapuranagar, Bhuj – non-member

Prakash Jentilal Gor, Oct. 15, 2008

Household information. The Hindu household of Prakash Jentilal Gor consists of



four members: Prakash (28 years old), his brother (26 years old), their mother (45 years old) and father (50 years old). Prakash and his brother have completed Standard 9, their parents went to primary school. The interview took place in the local AIDMI community center (Fig. 4.27) because Prakash did not want to show his living area to the interviewer and translator.

Fig. 4.26 Prakash Jentilal Gor, a Hindu non-member of CCISB in Ashapuranagar, Bhuj
Photo: N. SLIWA, 15th Oct. 2008

Business information. The mother cooks and does kitchen work for other families. His brother is an auto-rickshaw driver. Prakash, too, has been an

auto-rickshaw driver for the past ten years (renting the vehicle for 60 Rs per day), but he has diversified his business, additionally painting and doing electricity work, in particular during festivities and before Diwali. There is no peak season for rickshaw-driving.

Supply/sales. For the painting and electricity work, Prakash works on a daily basis, the material is provided by the clients. For auto-rickshaw driving, the owner supplies the vehicle for a fee.

Cash/credit/money circulation. Five months ago, in addition to using all of his savings, Prakash took a loan of 20 000 Rs from one of his relatives (467 \$ in May 2008) to build a house, the construction of which was finished several months ago. The loan and the savings were used entirely for building and not linked to income improvement. Because of his good relation with his relative, Prakash only had to pay 2.5% interest. He has already paid back 10 000 Rs (229 \$), but currently is only paying the interest of 250 Rs every month (5.73 \$) as he does not have the capacity to pay back the other half of the loan. Prakash earns approximately 160 Rs per day from his rickshaw-driving, of which 60 Rs are deducted for the daily rent, so that his profit is 100 Rs per day. He makes an average of 50 Rs per day when he paints. This is pure profit, because he does not have to purchase the painting material. The family saves money regularly, but had to use their savings, in addition to the money received from selling Prakash's auto-rickshaw, for his mother's eye operation that cost 20 000 Rs and had to be paid in cash. Prakash said that he himself had no personal savings. He gives his average of 100 Rs profit per day to his mother. Together with her and his brother, the family manages to save 1000 Rs per month (22.91 \$). Although this is quite a lot, it was not clear why the family did not prioritize paying back the loan.

Strength of/threats to the business. Prakash neither has a BPL card, nor insurance. However, he is very interested in a risk insurance to cover possible accidents to the auto-rickshaw. He feels that not owning his own rickshaw has had a negative impact on his business as he cannot work as much as he would like too and he does not earn as much as before. When asked about the investments made for "quality of life", Prakash answered he spent money on festivities and social things, but also saved money. Per year, he spends about 5000 and 10 000 Rs on "life standard". Prakash defined business success as having savings, a regular income, and not having to pay high interest rates. Personal success he defined as owning a house, having savings and owning an auto-rickshaw.

Disaster impact. During the last disaster, the 2007 floods, Prakash suffered from a loss of income. He said that now, he had extra savings to handle disaster occurrence and that he would like to do more to reduce the disaster risk for his business, such as having insurance, but that he was not able to. His younger brother had registered for Afat Vimo only this year. The content of their house was now insured. In this context, however, Prakash criticized the fact that only one person per family could have Afat Vimo disaster insurance.



Fig. 4.27 During the interview in the AID-MI community center near Halimaben's house
Photo: N. SLIWA, 15th Oct. 2008

Lessons to be learned. Although the education standards of this family are higher than many families interviewed, they appear to be less careful in the handling of available money. Despite their monthly savings of 1000 Rs, the family does not prioritize paying back their debt of 10 000 Rs and continues to lose 250 Rs per month in interest. It is not clear why part of the monthly savings is not invested in buying the much needed auto-rickshaw. Instead, several thousands of Rupees per year are invested for festivities and social things. The comparison with Dhidrajbhai's family underlines again that

education in itself is not necessarily the determining factor of personal or business success. Rather, it is individual handling of finances, money habitudes, personal priorities of investment and attitude that make a difference. The example shown here demonstrates that development efforts need to pay attention to individual financial behavior and money habitudes at the micro level of households.

4.3

District of Patan – flood and drought affected rural communities

4.3.1

Muslim micro entrepreneur in the village of Shergadh, Patan – CCISB member

Jiviben Jalalkhan Baloch, Oct. 11, 2008

Area. The interview was taken in the village of Shergadh, located in Radhanpur in the district of Patan. The district has rural as well as urban landscapes. Shergadh is a small village near the Banas River, surrounded by cotton fields and agricultural landscapes. The target groups in the interviews conducted in Shergadh as well as in Najupura were the rural poor. The interview took place in a wealthy, traditionally ornamented farm house owned by the Patel family (Fig. 4.29). Later on, Jiviben showed the researcher where she and her family lived (Fig 4.33).

Household information. The interviewed female headed Muslim farmer household has five members. The interviewed Jiviben is 53 years old (Fig. 4.28). Her daughter is married to a man who is mentally ill and violent, which is why she spends most of her time at her mother's house. She cannot divorce. Her three sons are 8, 10 and 14 and live together with their grandmother Jiviben. They are



Fig. 4.28 Jiviben Jalalkhan Baloch, 53 years old, a Muslim CCISB beneficiary in Shergadh, Patan. Photo: H. SADHU, 11th Oct. 2008

in Standard 4, 5 and 10. Jiviben herself is illiterate; her daughter went to primary school. Her son is a laborer in the city of Surat.

Disaster impact. The family suffered from the 2001 earthquake whose epicenter was in Bhuj. Their buffalo died, and their livelihood was destroyed. They had to leave the village for daily labor work. The government initially gave cash as relief, but then provided relief work for cash, such as digging. The interviewed household as also supported by other family members. When AIDMI provided them with a buffalo in 2003, they could restart their business. In 2005 and 2007, heavy floods affected the whole district of Patan. According to Jiviben, they have “either too little or too much rain” for farming. Due to their Afat Vimo disaster insurance, they have been compensated for their losses twice. In 2005, they received 750 Rs (at the time 17.19 \$) and in 2007, 4500 Rs (109.60 \$ in 2007). Being

members of CCISB has given them confidence; they can see that their situation is starting to improving.

CCISB as facilitator. Jiviben joined CCISB in 2005 because she had had bad experiences with disaster occurrence and business problems. She had heard about CCISB through AIDMI. The main advantages Jiviben sees in the organization are the Revolving Fund and the insurance in case of disaster. However, she would like to get more money from CCISB’s Revolving Fund – “the amounts of the Revolving Fund are too small”, which is CCISB’s major disadvantage from her perspective.

Business information. The family’s main occupation is animal husbandry and farming. After receiving a buffalo as livelihood relief from AIDMI in 2003, they could restart the business they had to give up as a consequence of the 2001 earthquake. The buffalo had young, and by 2008, the family already had three buffaloes. With the increase in milk production, the family can sell more milk products in the village. Thanks to the increase in income, the members of the household do not need to leave the house to go to work, which they see as an advantage. This had been the case before joining CCISB. Peak seasons for their business are winter and during the monsoon because fodder for the cattle is easily available and milk production is good. During summer, it is too hot, and the buffaloes suffer from the heat. The fat content of the milk decreases, making the milk less suitable for butter production. The family owns their house which is

also their business location. The family buys food for their cattle near Radhanpur. They have several suppliers because they do not buy in bulk and do not go through a wholesaler.

Cash/credit/money circulation. In 2007, the family took a loan from the Revolving Fund of 10 000 Rs. They constructed a storage place for the buffaloes' fodder because during floods, it would get wet or washed away. They also did urgent maintenance work on their house. Before joining CCISB, they had to purchase their material on credit. They took credit from local people with an interest rate of 5% per month. Now, they can purchase up to 75% of their goods in cash, which gives them a discount of 20%. A crucial time for the household is when cattle are expecting, because during this period, they do not give milk, and the family does not have an income from milk products. During this phase, they take credit without interest from their relatives for personal needs as well as for cattle food. For "social purposes", the family has also taken a credit of 3000 Rs from private money lenders since joining CCISB. The interest rate was between 6-10%. Before joining CCISB, Jiviben also took a loan from SEWA bank of 3000 Rs (interest rate unknown) for her daughter's health after childbirth. The daughter has since paid back that loan.

The family increases their credit by paying back regularly. The household has increased its income remarkably since joining CCISB: whereas before, they earned between 51 and 100 Rs per day, they now earn between 201 and 300 Rs every day. Their profit has increased as well: from 1-100 Rs a day to 151-200 Rs. Their monthly income is now at 4-5000 Rs (92-115 \$), an improvement of 50%. This improvement is not only connected to business expansion but to decreases in fodder prices and improved climatic conditions as well. The family now saves 1250 Rs per month, and when times are good ("seven months of the year are good"), even 1500 Rs (34.50 \$). With the investment made using the Revolving Fund, they could increase their monthly profit by more than 500 Rs. The family cannot save money long-term as they are forced to spend their savings during summer or when the cattle are expecting. The family were only able to save after they received the Revolving Fund. After joining CCISB in 2005, they first focused on securing their livelihood. As Jiviben sees the situation, she has always worked very hard, but now, she feels that the work is really paying off. She still has a BPL card from before.

Strength of/threats to the business. According to Jiviben, the strength of her business is in the good quality of her products and the good service she provides. For quality of life, she spends money or invests in child education, festivities and social things, but she also puts money aside. Per year, she used to spend up to 1000 Rs and now she spends up to 3000 Rs on the above (69 \$). She describes her livelihood now as "smooth" and "good". She considers her business successful because she had savings, she does not have to pay high interest rates and she has a regular income. Personal success for her is being able to own her house, send the children to school, have savings and be able to spend money on social things. She is also able to lend money to other people in her family. To reduce



Fig. 4.29 The wealthy farm house, traditionally carved and decorated, in which the interview took place. Photo: N. SLIWA, 11th Oct. 2008



Fig. 4.30 Jiviben Jalalkhan Baloch sitting in the farm house during the interview
Photo: H. SADHU, 11th Oct. 2008



Fig. 4.31 The entrance to Jiviben's home
Photo: H. SADHU, 11th Oct. 2008



Fig. 4.32 Inside Jiviben's compound, the tent covering a sleeping place. Jiviben is standing near the tent. Photo: H. SADHU, 11th Oct. 2008



Fig. 4.33 View of Jiviben's home with the tent
Photo: N. SLIWA, 11th Oct. 2008

the disaster risk for her and her family, Jiviben has signed for the Afat Vimo disaster insurance and has put extra money aside for future disasters. **Personal opinion about CCISB.** Jiviben feels that CCISB does good work. Although she did not specify what improvements could be made, she did mention several times during the interview that the amounts of the Revolving Fund were too small, an opinion she shares with many interviewed households.

Lessons to be learned. This case study demonstrates to what extent the poor are able to manage their business in a smart and innovative way with optimistic long-term perspectives, even when they face difficult constraints. All that was needed here to give the initial push was one buffalo. From this a profitable business developed and expanded. This is again an example of women at the center of development at the micro level.

4.3.2

Hindu micro entrepreneur in Najupura, Patan – non-member

Dhanabhai Kevalbhai Prajapati, Oct. 11, 2008

Area. The interview was taken in the village of Najupura, Radhanpur, located in the district of Patan. In the rural area around Najupura, a majority of the people work as farmers. Drought is a severe problem, and the water supply of the village is insufficient. Irrigation is likewise, a problem. Over 60% of the villagers working as farmers are in need of improved irrigation facilities. The interview was not held at the farmer's house, but Dhanabhai did take the survey team to visit his home and farm afterwards.



Fig. 4.34 Dhanabhai Prajapati, a Hindu non-member in Najupura, Patan
Photo: N. SLIWA, 11th Oct. 2008

Household information. The interviewed Hindu household has 9 members: Dhanabhai, 63 years old and his wife, 60 years old, two sons of 35 and 33 and their wives of 32 and 30, as well as three children aged 2, 4 and 6 (the oldest going to primary school). A third son does not live with the parents anymore. Dhanabhai completed Standard 4, his wife is illiterate. Their sons completed Standard 7 at around 12/13 years of age. His sons do masonry and construction work in Kutch. Their wives are housewives.

Business information. The main source of income for the family is from agriculture: Dhanabhai and his wife sell agricultural products, such as cotton and sesame. They own their dwelling and seven acres of land. Until seven years ago, they had two oxen, a

calf and a buffalo, but lost their animals because of drought. The household has not received any disaster assistance. Lack of water and irrigation are a major problem. There is no water source near Dhanabhai's land so he is dependent on rainfall. He added: "Without money, what can I do? I need financial assistance." Peak seasons for agriculture are monsoon and winter. If during monsoon, rain is good, Dhanabhai can plant winter crops.

Supply/sales practices. Dhanabhai said that sometimes, he purchased seeds in cash, and sometimes on credit. When he has enough money, he purchases everything in cash, entitling him to a discount of 20-30%. He goes to different suppliers, choosing the supplier with the best conditions. His main criteria regarding the choice of suppliers is reliability. He buys his material from wholesalers as well as from intermediaries. Dhanabhai gets his supplies from Radhanpur and sells his products at the local market there. Depending on how much rain has fallen, Dhanabhai can plant his own seeds and does not have to rely on suppliers.

Cash/credit/money circulation. The farmer does not make use of credit much due to higher interest rates than several years ago; however, he did take a loan from a private money lender 15 years ago for his daughter's wedding, as well as from Dena bank 20 years ago for brick making. The two loans did not increase his income. The amount he took from the bank was 8000 Rs, but he could not pay back the money. Due to a new governmental relief scheme for farmers concerning finances, Dhanabhai's debt with the bank has been waived. He had wanted to use the Dena bank loan for the production of bricks, but unfortunately, the material he bought was destroyed due to heavy rains. The interest rate of the bank loan was at 1.25% with a payback period of one year, thus much lower than the 5% interest charged by the private money lender. The amount he borrowed from the private money lender was 3000 Rs. He got the money because of his good relationship with the money lender and he did manage to pay back the full amount. He works hard in farming, and when there are problems, he takes on labor work. Per month, he earns between 2000-2500 Rs (46-57 \$). He is not able to save with this amount.

Strength of/threats to the business. Dhanabhai has neither a BPL (below poverty line) card nor insurance. He sees his strengths in his good service and the good location of his business, particularly the quality of the soil. However, he feels he is in need of support concerning financial matters. When asked about his expenses for quality of life, Dhanabhai indicated that he invested predominantly in social things and festivities. Per year, he spends 2000-5000 Rs for activities in this area (46-115 \$), the money being sent to him from his sons in Kutch. Each son earns 300 Rs per day in construction work (6.90 \$), and they usually work 20 days per month. Dhanabhai said his situation was now better than before because his sons had been sending him money for the last 10-15 years. He actually judged his situation as "good" because he did not have to pay interest rates and because his land was good. In comparison to the other poor households interviewed, Dhanabhai's situation is not very cheerful. It is the questionable

whether Dhanabhai's attitude is sensible in the situation. If he perceived his situation more realistically, he might be more motivated to change it. As long as the sons continue sending money every month, there is no need for Dhanabhai to do more himself. Good land without proper irrigation does not give good profit. It seems that the farmer does not use what he has to its full potential. Dhanabhai would like to change his profession and start producing bricks because he has the necessary knowledge. However, for a change of business, he would need a start-up capital of 5 lakhs or 500 000 Rs (11 500 \$). He estimates a return of investment within a year. As factors defining personal success, Dhanabhai named the following: hard work, to own a house and land and to have sons earning well.

Disaster risk reduction. The floods in 2007 were the last disaster that affected the farmer. He suffered from a total loss of crops, damages to the house and a reduced income. To reduce the disaster risk in the future, Dhanabhai said he worked hard and took to labor work in addition to farming. He did apply for the insurance but found out that he and his wife are too old now, the age limit set at 60. They also cannot take the insurance in their sons' names because they live in Kutch.

Lessons to be learned. A majority of the village farmers need water. They could organize themselves into a self-help group and work out a solution to this common problem, by building water pipelines, for example. However, there appears to be a lack of motivation or innovative energy, with the farmers concentrating on their lack of money. With a better water infrastructure, the farmers would be able to plant their own seeds and increase their income, thereby generating more money.

Another important aspect observed in this case study is the role of women in this family. The pattern is classic, with the women being illiterate and working solely



Fig. 4.35 The farm house in the compound where the interview took place. Photo: N. SLIWA, 11th Oct. 2008



Fig. 4.36 Group picture with Dhanabhai, neighbors, the village chief with his son (in front) and the survey team (white shirts with long sleeves) Photo: H. SADHU, 11th Oct. 2008

within the house, thus being unable to contribute to the family income. It is the sons who have to take care of their parents by regularly sending them money that they consequently cannot invest in their own future. Thus, poverty is cemented for generations. For the father, Dhanabhai, the situation is still comfortable: he can rely on his children and does not need to change anything (Oza, S., pers. comm. on evaluating case study results, Oct. 2008). This might be a reason why there is no space for innovation and self-motivation.

Instead of taking small steps to develop and expand his business, the farmer would like to begin a new brick business by investing 500 000 Rs. Considering he was not able to repay 8000 Rs that he borrowed for the same purpose 20 years before, it is questionable how realistic this dream is. The comparison to Yasmin-



Fig. 4.37 Dhanabhai on the way to his own place.
Photo: N. SLIWA, 11th Oct. 2008



Fig. 4.38 Entering the compound of Dhanabhai's place. A water cistern is located near the hut
Photo: N. SLIWA, 11th Oct. 2008



Fig. 4.39 A family member obeying to the Purdah-rules (complete veiling of the face, a Muslim influence dating back to the Mughal period that has remained a wide spread tradition among Hindus in rural areas) is carrying water.
Photo: N. SLIWA, 11th Oct. 2008

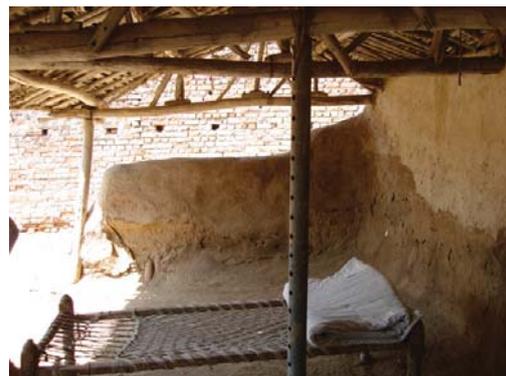


Fig. 4.40 Sleeping room
Photo: N. SLIWA, 11th Oct. 2008

ben in Ahmedabad who made a business out of a small daily routine – selling large quantities of the Rotis she has to bake anyway – constitutes a sharp contrast to the approach Dhanabhai is taking: he wants to start big. Instead of relying on her children and hindering them in their development, Yasminben invests in their education so that they will have a better life. In contrast, Dhanabhai has his sons take care of him, thus hindering them in building up a better future for themselves.

4.4

District of Sabar Kantha – riot affected communities of the City of Modasa

4.4.1

Muslim micro entrepreneur in Rashidabad, Modasa – CCISB member

Abedaben Mansouri, Oct. 12, 2008

Area. Modasa is a city with a large Muslim population in the district of Sabar Kantha. Modasa's Muslim population was heavily affected during the 2002 riots. Houses were burnt down and many people killed. As a consequence, the Islamic Relief Committee built a relief camp for the Muslim riot victims. Although the relief camp – named Rashidabad – was intended to be only temporary, with just 1-2 room barracks for large families, it has become a permanent, poor slum



Fig. 4.41 Abedaben Mansouri, a Muslim CCISB beneficiary from Rashidabad, Modasa. Photo: N. SLIWA, 12th Oct. 2008

community. Rashidabad is a purely Muslim area that has made Modasa a divided city. The fact that in October 2008, a bomb blast in Modasa killed several people near a bus stop shows that tensions between Muslims and Hindus persist.

Household information. The Muslim household has five members: the interviewed mother and wife Abedaben Mansouri, 33 years old, her husband (35 years old), their two daughters (11 and 8 years old) and a son (13 years of age). Her son is going to a private school that costs so much money that Abedaben said she was unable to also send her daughters to school. Abedaben completed Standard 12, her husband Standard 10. The atmosphere in this household was almost hostile, and for the first time during the survey, the team did not feel welcome.

Business information and disaster impact. Abedaben sells ready-made clothing material, in particular dresses and blouses. She goes from house to house, carrying her load on her head. She started her business by herself, but now, her husband helps her. She has expanded her business by investing in a bike that gives them a bigger selling radius. Before, they had to take the bus to go and sell their products. The only season creating problems for their business is the monsoon season because with heavy rains, one cannot go out so much. All other seasons are good. During the riots, Abedaben lost everything, and the family did not even have enough to eat. That experience made her want economic sustainability, which is also why she joined CCISB.

Cash/credit/money circulation. When she started her business, she had to take all goods on credit, now, she purchases 50% cash and 50% on credit. When purchasing her goods in cash, Abedaben profits from a 2.5-3% discount. Before joining CCISB, she only had one supplier, but now, she has 2-3 suppliers. Because she can purchase in cash now, she also has a choice of suppliers. Abedaben changed her suppliers because of differences in the rates. When she started her business, she had to purchase from a retailer. Now she purchases from a wholesaler.

Loans from private money lenders. She joined CCISB because of the Revolving Fund that provides economic sustainability, but also, because CCISB does good work, as she pointed out. However, if CCISB also covered educational costs, that would allow her to send both girls to school. The family also borrowed money from their relatives and twice from private money-lenders to cover health expenses. Abedaben borrowed 15 000 Rs interest-free from her brother for her father-in-law's health; she paid back the amount in full. After joining CCISB and profiting from the Revolving Fund, Abedaben still took a total amount of 30 000 Rs from private money lenders at 10% interest per year because her son has a respiratory problem that demands medical care. For the past five years, Abedaben has paid 700 Rs per month, but she has still not been able to fully repay the credit. In order to keep her credit worthiness, she pays back regularly and has a good relation with her creditors.

Revolving Fund. Abedaben made use of the Revolving Fund twice. The first time, she received 5000 Rs, the second time 10 000 Rs (230 \$). She invested the money in her business for purchasing raw materials. With the first Revolving Fund, she invested in Sari blouses, with the second Revolving Fund, she also invested in Panjabi dresses and night gowns. The Revolving Funds increased her profit by 200 Rs per day. Before Abedaben joined CCISB, she earned 200-300 Rs per day, of which 50-75 Rs was her daily profit. After joining CCISB, Abedaben earned 1200-1500 Rs per day (27.60\$ - 34.51 \$), of which 300-400 Rs (6.90\$-9.20 \$) was her daily profit. It is this profit that enables her to purchase in cash, and allows her to save 20 Rs per day (0.46 \$) on a regular basis. Before joining CCISB, she could not save money at all.

Strength of/threats to the business. Abedaben has a BPL card and Afat Vimo disaster insurance. When asked what was special about her business, she said “good quality and good behavior, reasonable prices and regularity”. After joining CCISB, she was able to invest more in quality of life: she had the capacity to send the children to school, to spend money on festivals (she spent between 2000 and 3000 Rs, that is between 46 \$ and 69 \$ on Eid in 2008) and still save. The situation is better than before, but a “very good” situation for Abedaben would mean a different house, all children going to a private school and not having debts. She describes her livelihood as “good”, because the family can eat twice a day, has a business and is saving money. Also, if her relatives need a small amount of money, like 200 Rs (4.60 \$), she can lend it. When asked what she had done to reduce the disaster risk for her business, Abedaben said she had savings and disaster insurance. **Personal opinion about CCISB.** Concerning the Revolving Fund, Abedaben mentioned beneficiaries should be given more money and have more time to pay it back. Although she can send her son to a private school, she would need more money to send her other children to school.

Lessons to be learned. Purchasing on credit creates dependency: one is limited to suppliers who give credit with interest rates determining the choice of supplier. With cash, freedom of choice is far greater, an aspect that can help to expand and strengthen the business. In the case of Abedaben, not only was she able to choose the best supplier, but she was also able to change from a retailer to a wholesaler. These steps helped to increase her profit for several reasons:

- she did not have to pay interest rates
- she profited from discounts
- she could change suppliers as her business demands changed.

Health expenses are a major reason for taking credits at high interest rates from private money lenders. It is a vicious circle: no institution helps the poor cover their health costs, which is why the only people they can turn to are private mon-



Fig. 4.42 During the interview. The atmosphere in the house was tense and unfriendly. Photo: H. SADHU, 12th Oct. 2008



Fig. 4.43 Outside Abedaben’s house. The two households interviewed in Rashidabad were exactly opposite each other across the main road. Photo: N. SLIWA, 12th Oct. 2008

ey lenders who abuse the situation. It is significant that Abedaben took 30 000 Rs of loans from private money lenders (690 \$ in 2008) after joining CCISB. Since health problems tend to be severe and permanent in poor contexts, ill people are stuck in a permanent debts spiral. Their illness can prevent them from earning or saving money, and without money, they have to take credits to cover their costs. In development work, health expenses poor people have to cover through high-interest credits from private money lenders need to be taken into account.

CCISB's Revolving Fund does not cover school fees. Whereas in most cases, the awareness of the importance of school education needs to be raised, in this case, it was not necessary. However, instead of sending all of the children to a public school, Abedaben chose to send only her son to a costly private school. There was thus no money left to send the girls to school. Not only were the girls discriminated against with regard to education, being damned to illiteracy, but it was the mother herself who discriminated against them. Considering that Abedaben herself completed Standard 12, this is surprising. By making such decisions, it is the mothers who support a system of gender discrimination that can go on for generations. Considering that it is the girls who as future mothers take care of the children and their education, it seems important that it is made clear in development work that education is a human, and not just a male right.

4.4.2

Muslim micro entrepreneur in Rashidabad, Modasa – non-member

Mahmudbhai Mansouri, Oct. 12, 2008



Fig. 4.44 Mahmudbhai Mansouri, a non-member from Rashidabad, Modasa. Photo: N. SLIWA, 12th Oct. 2008

Household information. The household of Mahmudbhai Mansouri consists of 4 family members: the interviewed husband himself (27 years old), his wife (24 years old) and two girls (3 and 5 years old), one of whom is mentally retarded. For the girl who is mentally retarded, Mahmudbhai and his wife have started saving money because it is not likely that she will get married or have someone to take care of her later. Mahmudbhai holds a diploma in electric engineering; his wife completed Standard 10.

Disaster impact. Before the riots, the family was living in a house they owned in a village. Their living cost were very low. Because of the riots, they lost everything: their business and their house. Mahmudbhai had to sell his house to buy food for the family because there was no immediate relief after the riots. Although they are still struggling, their situ-

ation is better than it was immediately after the riots as “the family eats Chapati two times a day”. This is a Gujarati expression indicating one can have two meals a day.

Business information and development. Mahmudbhai Mansouri’s buys wholesale from farmers and sells in retail in the market of Modasa. He has a permanent stall that he rents. His father and brother contribute to his business which is strongly influenced by the seasons: if during monsoon, crops are bad, he has no income or business during four months. He would need 5000 Rs (115 \$) to move his business to a different place where he could get more profit, such as in Himmatnagar or Ahmedabad. With more money, Mahmudbhai would buy bigger quantities, thereby lowering his cost price and increasing his profit by 5%.

Cash/credit/money circulation. Mahmudbhai’s suppliers are several farmers near Modasa. He has a good relationship with them. He purchases wholesale food items worth 25 000-35 000 Rs (575 \$ - 805 \$) every month. In order to get a 10% discount, he purchases everything in cash. However, to get the initial 25 000 Rs, he had to take a one year bank loan for which the couple gave all the wife’s jewelry as a guarantee. Mahmudbhai has to pay 14% interest for this loan. He borrowed another 10 000 Rs for his business from relatives interest-free which he pays back regularly. His per day turnover is about 35 000 Rs, of which 400 Rs per day (9.20 \$) is the family’s profit. This amount needs to be divided between four people: his father, brother, wife and himself. His personal profit is hence 100 Rs per day (2.30 \$). Considering the fact that he has to repay two loans, one of which is charged high interest, he is not able to save currently. Although the family can easily meet daily needs, they would struggle in the event of unexpected high expenses. If he could benefit from CCISB’s Revolving Fund which is interest-free, he would have the capacity to really build up his business.

Strength of/threats to the business. Mahmudbhai possesses a BPL card, but no insurance. However, for future planning, for the education and marriage of his daughter, he would like to have insurance. Regarding his business success, Mahmudbhai was proud of the fact that he had “no need to raise his hand in front of other for food or child education”, and that he had a good relation with others. The place in the market where he is sitting is right at the entrance, which is a plus point for his business. When asked what personal success meant to him, Mahmudbhai said he would like to have savings and see his children get a good education. Personal success would be, according to him, having “a smooth life”. His wish was to own a house in which the family could live – like before the disaster. For the future, he would like to have disaster insurance and more capital to develop his business.

Lessons to be learned. This case study illustrates to what extent business success is linked to credit/loans and high interest rates. With banks charging 14% interest per annum, a comparatively good daily profit of 100 Rs does not suffice for a family to save any money. Although this family fulfills all conditions



Fig. 4.45 Mahmudbhai's wife with her young daughter who is mentally retarded. Photo: H. SADHU, 12th Oct. 2008



Fig. 4.46 Group picture with Mahmudbhai's family in the living room. Photo: H. SADHU, 12th Oct. 2008



Fig. 4.47 Outside Mahmudbhai's house with the family and neighbors
Photo: H. SADHU, 12th Oct. 2008

of success – good education, awareness, wise financial choices (not investing in anything but child education and business-related matters) – they have difficulties because they are bound to high interest rates which push them into a vicious circle of profit loss due to interest payments, leading to lack of savings and greater economic vulnerability. Even when they have repaid their loans, they will not have the necessary resources to draw from to support their wholesale purchasing. Microfinance schemes such as a Revolving Fund can help families to break away from this vicious circle.

4.5 Main findings

The main findings from the selected case studies presented above are summarized here from the view point of:

- different approaches to dealing with poverty
- innovation as motor of development
- empowerment as motor of innovation and development
- education
- handling of finances, credit and interest rates.

Different approaches to dealing with poverty. Urban and rural poor have different needs and are more or less impacted by different disasters depending on their contexts and personal attitudes. Accordingly, development strategies should be adapted to take different forms of poverty into account. Whereas farmers may suffer from loss of income during summer months and need income generation support measures to bridge particularly this period, other business types face other problems that need to be addressed specifically. Further, within poverty contexts, some households and persons affected adopt an approach of potentials (“what can I do to improve my situation?”), whereas others follow an approach of deficits; instead of acknowledging the role they can play in changing their situation, they prefer to highlight what others should do (“the amounts of the Revolving Fund are too small”/“I need more money”/“Without money, what can I do?”). For example, parents living in rural areas who have their children send them money to support them prevent their children from saving this money. These parents are no longer under pressure to work out a more constructive solution to their financial problems because their children are the solution. However, such behavioral patterns lead to poverty being passed down from generation to generation. By recognizing one’s own responsibility and possible contribution to resolving problems, development at the micro level can be sped up. It is also personal attitude towards problems that determines long-term success or failure. Generally, the poor are able to manage their businesses in a smart way with good long-term perspectives, but often they need some form of capital investment, such as a buffalo, advice on handling finances and access to funds at fair conditions.

Innovation as a motor of development. Even when formal education is lacking, innovation and willingness to work hard do make a difference and may lead to economic improvement. The case studies show that illiterate, but innovative people have managed a turnaround in their finances, enabling them to be better

off economically than those who have had some education, but lack motivation or innovative ideas (innovation-driven development). As seen in one of the case studies, farmers in a rural village in Patan suffering from water shortages and rainfall irregularity complained about lack of money instead of organizing themselves into a group to install water pipes. With better water infrastructure, the farmers would be able to plant their own seeds instead of buying seed, thereby increasing their income. But as long as everyone relies on another for change, no progress will happen.

Empowerment nurtures innovation and development. When the traditional role of women is redefined, there is a chance that the cementation of poverty over generations can begin to weaken as women start to take an active role in economically improving their household's situation by contributing to the family income. Women could use their potentials economically by innovatively redefining traditional activities, as was the case in Yasminben's roti production business. All Indian women bake rotis every day – but to go and ask hotels if they want to order fresh rotis in large quantities is an innovative business idea and an example of the redefinition of a traditional female role bringing about empowerment. This innovative idea benefited the whole family. Similar patterns of empowerment, innovation and development were reflected in several of the case studies (Narmadaben, Yasminben and Halimaben).

Education in traditional Indian contexts is still a male, not a human right. Households, and in particular mothers, tend to give preference to boys when it comes to education. One example showed a mother sending her son to a costly private school, leaving the daughters illiterate as no more money was available for education. Alternatively, she could have sent all to a public school. The problem with this approach is that the children learn from a young age that a girl's education is of no importance and that everything in a family is subordinated to the boy's needs. This message is passed onto the next generation, and educational discrimination continues, thus leading to a loss of potential income, and cementing poverty.

Handling of finances. Purchasing on credit creates dependency, limiting choice of supplier and leading to the economic burden of interest. Cash purchases have several advantages, leading to potential business expansion:

- no need to pay interest rates
- benefit from discounts, thereby increasing profit
- freedom of choice of suppliers best suited to business needs and access to wholesalers.

Business success or failure is strongly influenced by credit/loans and the burden of interest payments. High interest rates prevent savings even when this would potentially be possible. Microfinance with little or no interest rates makes it possible for people to strengthen their business and save the money they would pay

in interest. It is not CCISB in itself that is helpful, but their microfinance scheme, an approach that can be transferred to other developmental organizations. However, the case studies show that financial training should be a precondition of fund distribution: micro entrepreneurs have to learn how to use their own scarce resources frugally before taking loans. Without savings, many poor need to borrow money from private money lenders for health costs, for example, potentially increasing their risk of economic vulnerability due to the high interest charge.

Financial literacy is not necessarily related to formal education: households with comparatively high education standards might be unable to successfully manage their finances, whereas illiterate families might use their resources carefully by not getting indebted and paying back loans quickly. Thus, it becomes clear that financial literacy should be an integral part of microfinance schemes, regardless of the specific educational or cultural backgrounds of the target group.

Credit intensive versus labor intensive businesses. The case studies illustrated that there are business types that are credit intensive and need much working capital (i.e. Mahmud's business purchasing food items with a monthly turnover of up to 35 000 Rs), and there are labor intensive businesses with minimal costs (i.e. baking and selling rotis). This is an aspect that needs to be integrated in holistic approaches of microfinance and poverty alleviation. As argued in other studies (KANTOR 2002: 287), businesses with "low demand for credit may not face the same barriers as activities with a high need for working capital". It appears that low credit businesses that rely on labor provided by the micro entrepreneur him/herself are likely to be more successful economically, as they face less financial constraints (e.g. Yasminben roti production).

Health expenses are a major reason for taking credits at high interest rates from private money lenders. It is a vicious circle: no institution helps the poor cover their health costs, which is why the only people they can turn to are private money lenders who abuse their situation. Since health problems tend to be severe and permanent in poor contexts, ill people cannot find a way out of a debts spiral. Their illness can prevent them from earning or saving money, and without money, they have to take more credits to cover their costs. This aspect needs to be specifically addressed in development work. As the example of Halimaben showed, social expenses are another source of huge financial burdens that may affect a household's financial capacity over years.

Conclusion. Based on the above findings, a general conclusion can be drawn: in development work, there is a need to scale down even further – not only to the small scale level of development from below, but to the micro level of individual households, where personal attitude, approaches and responsibility make a difference. There is, in particular, a need to determine how individual households handle money, what priorities of investment they set and how they should be trained to make frugal use of their scarce resources for economic improvement.

5 Data and methodology for the quantitative analysis

“The poor are fully capable of evaluating the state of their own poverty. So the voice of the people must carry the same weight as national and international evaluations of the Development Goals.” (ELA BHATT 2008)

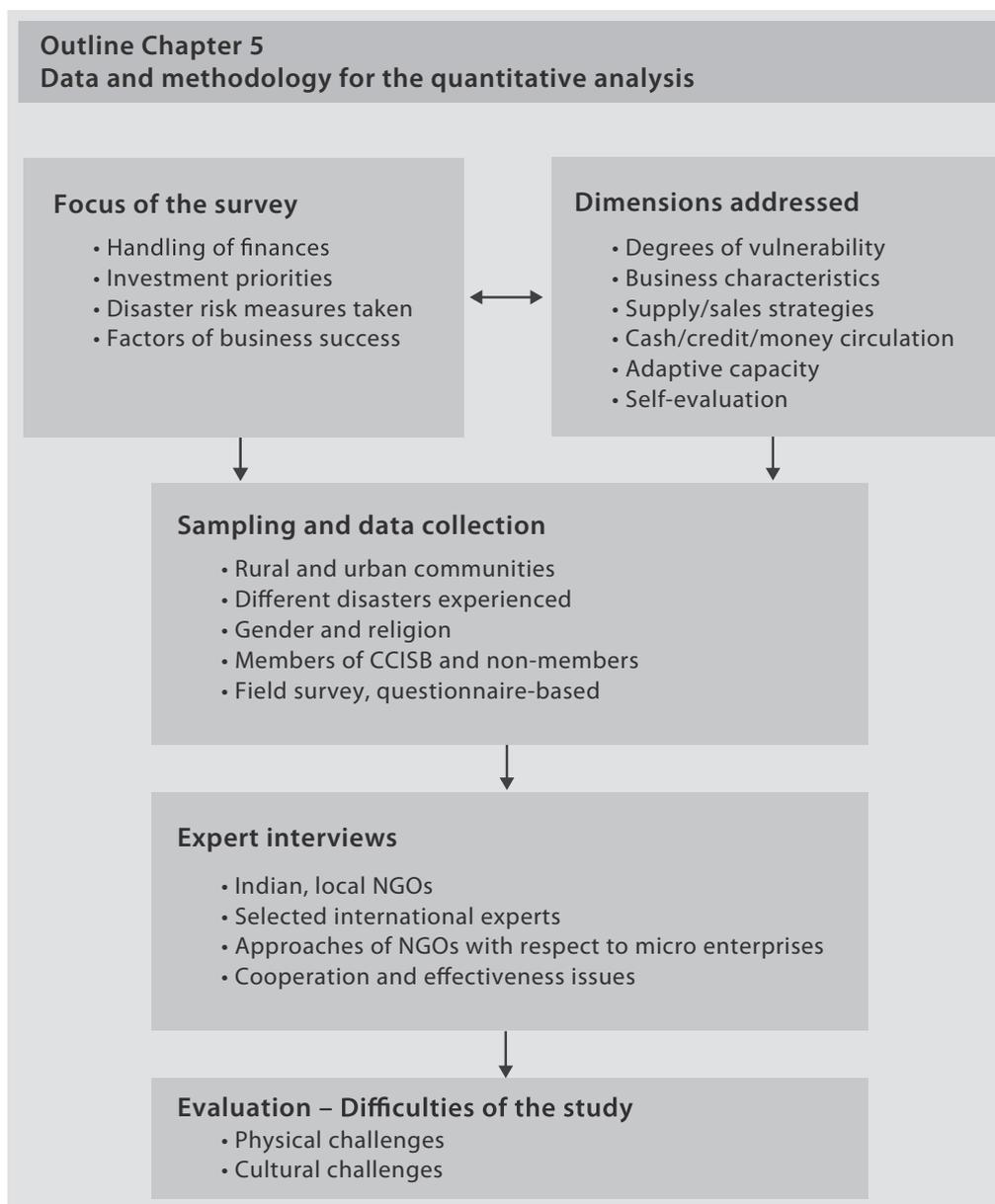


Fig. 5.1 Outline Chapter 5. Source: Author’s design

The objectives and purpose of the study were presented in Chapter 1. Chapter 2 briefly presented the approach taken in the research project with explanation of assumptions taken and reasons for particular foci. Special emphasis was placed on a discussion of the underlying concepts dealt with in the project. Chapter 3 focused on geographical and physical as well as conceptual study areas so as to explain the spatial differentiation and diversity of constraints that determine individual paths of development. By presenting the case studies, chapter 4 gave an insight into the reality of life and the differentiation at the micro level of poor households in slum communities. The following chapter introduces the methodology selected for the quantitative analyses. Essentially, the study is of an empirical and not theoretical nature, and includes two complementary conceptual and methodological approaches: (1) quantitative statistical analyses of interviews taken among micro entrepreneurs of different disaster affected areas of Gujarat; these are both the target group and the “stakeholders” of this research, and (2) qualitative analyses through in-depth interviews of local experts from the fields of community development, governmental agencies and international organizations. Qualitative analyses draw furthermore on embedded case studies (see Chapter 1). Thus, this chapter provides an overview of the survey categories, survey instruments, sample size, data collection and expert interviews. Chapters 6 to 9 present the quantitative statistical analyses of the questionnaires. This is followed by a synthesis of the main findings both from quantitative and qualitative analyses in Chapter 10.

5.1 Focus of the survey

The study put micro entrepreneurs of the informal sector, their business and investment strategies at the center. Key aspects of investigation were the micro entrepreneurs’

- handling of finances (cash, credit, savings and investments, supply and sales practices)
- priorities of investment (social expenses, child education, business expansion, savings)
- disaster risk reduction measures undertaken (disaster insurance, extra savings)
- and factors of success (self-reliance, long-term productive investments such as savings, i.e.).

Conceptually, then, the survey addresses the following dimensions:

- degree of vulnerability
- micro enterprise characteristics
- supply/sales strategies

- cash / credit / money circulation
- adaptive capacity
- institutional embeddedness
- self evaluation

as reflected by the questionnaire categories shown in Tab. 5.1.

5.2 Survey instruments

5.2.1 Structure of the questionnaires

The survey instruments consisted of two standardized questionnaires, of which one was used for the micro entrepreneurs organized in the Chamber of Commerce for Industry and Small Businesses, and the other one for a control group of micro entrepreneurs not organized that way (see 1.4). Both of the questionnaires assessed the same principal aspects in 5-6 main sections of which the subjects and number of questions are summarized in Tab. 5.2. The main difference between the two was that the questionnaire aimed at CCISB members also assessed the difference that the organization had made for the micro entrepreneurs, by additionally asking at each question what the respective state was before and after joining CCISB. The two questionnaires were translated into Gujarati by AIDMI and CCISB staff, and then re-translated from Gujarati into English by Mr. Rajesh Bhat of Matrusmuti Trust and Aware Foundation, so as to ensure a correct translation of the questionnaires.

5.2.2 Conceptualization of the questions

Before the two survey instruments are presented in their English version in full length, it is necessary to point out why certain questions were conceptualized and formulated in a certain way, how questions had to be asked in a culturally different setting so as to get the desired information, and why some questions that would be crucial in a Western context were, as such, not relevant in the Indian context of poor communities. Thus, this chapter discusses concepts from advertising and marketing to business forms and social expense.

Marketing. What in Western and Indian perspective may be understood as a “marketing strategy” – for instance, underpricing the competitor, providing free delivery and the like – **is already** a structural determinant of micro enterprises. Their goods are cheap anyway because they are part of the informal micro sector, and free delivery is given by the fact that many micro entrepreneurs use hand-

Tab. 5.1 The focus of the pilot survey of business and investment strategies of micro enterprises in Gujarat, India 2008 (see also questionnaires in the appendix)

Dimensions	Questionnaire categories
degree of vulnerability	<ul style="list-style-type: none"> • social situation (household composition, gender, age, education, religion) • economic situation (income, source of income, savings, indebtedness, BPL-below poverty line status, situation of the business, assets, insurance, assistance/relief received, help needed) • geographic situation (community, city/village, area, district) • impact of the last disaster (things affected and losses)
micro enterprise characteristics	<ul style="list-style-type: none"> • type of business (snack shop, grocery shop, garment shop, vegetable vendor, electric shop, carpenter, daily wage earner, other) • expansion/assets • seasonality of business • number of workers • mobile or fixed business • unique selling points of the business (regularity, cleanliness, good behaviour, good quality, enough quantities etc.)
supply/sales strategies	<ul style="list-style-type: none"> • discounts/benefits • number and choice of suppliers, reasons for choice • location of suppliers and of sales
cash/credit/money circulation	<ul style="list-style-type: none"> • purchasing in cash or on credit • taking credit, reasons for taking credit • conditions of credit (interest rates, duration, mode of payment) • amounts taken on credit • investments of credits (social functions, social security, child education, amounts invested) • microcredit/revolving fund (amounts taken, investment, increase of income/profit) • earnings and profits • savings
adaptive capacity	<ul style="list-style-type: none"> • impact of last disaster (loss of income, products, business) • disaster risk transfer (insurance, extra savings, improvement of infrastructure, trainings, willingness for risk transfer)
institutional embeddedness	<ul style="list-style-type: none"> • member of CCISB or not and for what reason • beneficiary of CCISB's Revolving Fund • main advantages and disadvantages of CCISB (with respect to Revolving Fund, business trainings, amounts of Revolving Fund too small and bound to certain investments, necessity for outside loans) • impact of Revolving Fund for business development (increase of income and savings, expansion of business) • view on CCISB and necessary improvements
self-evaluation	<ul style="list-style-type: none"> • personal success • business success (good assets, reputation in society, no high interest rates, savings, regular business) • changes in situation

Concept: N. SLIWA. Social science survey carried out in Gujarat in Sept./Oct. 2008

carts, going from house to house to sell their products. The questionnaire thus assesses whether the micro entrepreneur sells from house to house or whether the business is mobile or installed at a fixed place. Following the advice of local experts, it does not specifically ask for the “marketing strategies” of micro enterprises because this does not make sense in the context of Indian micro enterprises.

Tab. 5.2 Sections of the questionnaires, main subjects and number of questions (see also questionnaires in the appendix)

Section of questionnaire (Q)	Subject of section	Number of questions Q1 – beneficiaries	Number of questions Q2 – non-beneficiaries
Section A	Social and household information	14	9
Section B	Business characteristics	6	6
Section C	Supply/sales	9	9
Section D	Cash/credit/money circulation	11	11
Section E	Strengths of/threads to the business	9	9
Section F	Personal opinion on CCISB	2	-
Total number of questions		51	44

Concept: N. SLIWA. Social science survey carried out in Gujarat in Sept./Oct. 2008

Advertising. Micro entrepreneurs cannot afford to advertise in the way larger companies do. If they advertise, then simply by shouting in the market or by giving special offers. This is why the a priori conceptualized section on advertising was eliminated following the advice of local experts after the pretest. The whole aspect of marketing in a Western mindset is not relevant in the context of self-sustained micro enterprises, where people go from house to house, basically doing “word-of-mouth-advertising”.

Unique selling propositions. Whereas in Western countries cheap prices or a favorable cost/performance ratio might be part of a unique selling point of an enterprise, these aspects are not particularly interesting for micro enterprises in India, as they are all operating at extremely low prices and profits are rather marginal. Rather, other aspects, such as cleanliness, friendliness or regularity of opening hours can give a business that necessary cutting edge. Some micro businesses close when the owner needs to go somewhere; others manage to keep their shops open with a substitute person even when they are absent, thereby increasing their attractiveness for potential clients. Cleanliness too, is a major selling point in a context of poverty, dirt, dusty streets and bad water quality, with Indian customers particularly responsive towards cleanliness because there is so much dirt everywhere.

Mobile or fixed business. The question “Is your business mobile or at a fixed place?” not only indicated what marketing strategies people subconsciously use – providing free delivery, for instance. It also allowed information to be gleaned on livelihood. People with a fixed place that they legally own are usually in a better economic situation than those who sell their products in a handcart that they might even have to rent.

Income, profits and savings. People were asked to indicate their daily incomes, profits and savings, because they would commonly calculate them on a daily, not on a monthly level. The question whether or not there were regular savings was formulated as “Is the *family* saving?”, because the person earning the money

would not necessarily be the one saving it. As to savings, one has to distinguish between “general savings” and savings for high social expenses (see below).

Contribution to the business. In the context of Indian micro enterprises, a wife would not be considered as “working in the business” the way an employee would, or Westerners would comprehend it. An Indian wife would rather be perceived as *contributing to the business* by preparing necessary items, for example. So to find out if other family members were involved in the business the question would have to be formulated as “Who is contributing to your business?” rather than “working in”.

Business expansion and business assets both are indicators of increased income. One can only expand a business if it is going well and if one has the money to invest in an expansion (infrastructure, products and the like). Having good business assets means two things: firstly, that one had the money to buy them, and secondly, that one can get credit more easily, because the creditor has a guarantee in form of business assets that can be cashed in if there is a problem with repayment.

Credit conditions and interest rates. Relatively wealthy people can take large credit amounts and still get a good deal. In contrast, poor people as a rule get poor credit conditions that differ from region to region; they need small amounts but cannot offer a guarantee and pay usurious interests (see Chapter 3.3.1). This situation is exasperated after disaster hits because credits are generally used for relief purposes. Consequently, creditors refuse to lend money that they are likely to not get back or only agree at very high daily rates. Sometimes, for 10 Rs borrowed, 6 Rs are charged per day just in interest. Common interest rates, duration and purposes of credits were therefore assessed in the questionnaire. *Given the described situation of poverty, disaster vulnerability and miserable credit conditions, one understands why immediate relief, as well as long-term recovery schemes provided by NGOs in the aftermath of a disaster, is of such great importance.*

Credits among relatives. Borrowing money from family members has several advantages. Sometimes family businesses are large family affairs which eases access to private credit. Generally, IDs or other documentation is not necessary (e.g. property status, which the poor living on illegally settled land cannot provide). Furthermore, within families, interest rates tend to be low. Generally, in India, “having a good relationship” means facilitated access to credit. Thus, to assess credit conditions, the questionnaire also specifically asks how people increase their credit and what they do for it.

Supply and sales practices. Poor people tend to have only one local supplier since they cannot afford the costs of travelling and accommodation. Having one supplier is not necessarily a disadvantage if that supplier is a wholesaler; having to buy from an intermediary who charges significantly more would be a greater

problem. A question like “Have your costs changed with CCISB membership – same, more, less” was discarded because the main factor influencing costs in the context of micro enterprises in India is the purchasing practice. If a micro entrepreneur could purchase more in cash than before joining CCISB, then he/she would be able to decrease costs. Thus the questions were formulated to ask specifically how much of the supply was purchased in cash before and after joining the Chamber of Commerce, and what discounts people got when they purchased in cash.

Discounts versus benefits. To really assess what discounts people profited from when they purchased in cash, the word “discount” was replaced by “benefits”, following the suggestion of AIDMI staff (Indian micro entrepreneurs apparently understand “monetary benefits” in much the same way their Western counterparts would understand “discount”). Moreover, asking for benefits not only included the actual discounts people got, but also other advantages, such as getting credit at good conditions when regularly purchasing in cash. It is noteworthy that the term “benefit”, understood the Indian way, is more exact than “discount”, because the general benefit from purchasing in cash is the decrease in costs. This may be considered more of a benefit than a discount.

Customers. Usually, the number of customers does not increase with CCISB membership because micro entrepreneurs remain restricted to their small radius due to unreliable and expensive transportation facilities. However, income, profits and savings increase because costs can be saved (purchasing in cash, changing from an intermediary to a wholesale-supplier etc.). This means that even with the same number of customers, micro entrepreneurs improve their economical situation. An advantage of CCISB membership is the greater business network made available; more contacts can generate more ideas and help improve business.

Social expenses. “Poor people do not have the power of money, but the power of relationship” (PANDIYA, M., pers. comm., Sept. 13, 2008). This is why the poor invest a maximum in their relationships, and that is why they also have particularly high social expenses for marriages, funerals and festivities of all sorts. These social events serve to build up tight relations with others, and in turn, the poor can rely on these relations they have strengthened over the years whenever they are in need. It is remarkable that what Westerners would perceive as pure “expenses” (paying a wedding ceremony that even in the poorest Indian slum communities costs a minimum of 120 000 Rs = 1200 US-Dollars; PANDIYA, M., pers. comm., Sept. 13, 2008) is regarded as an “investment” by Indians, who insisted on that wording. In the context of social capital theory, one could argue that since these practices serve to accumulate social capital with an expected return (see chap. 2), the term “investment” is justified. However, in a context where this kind of accumulated capital often constitutes the only capital the poor dispose of, it is important to assess what amounts micro entrepreneurs spend for social expenses every year in order to build up social capital.

Investment in/expenses for quality of life. Just as social expenses constitute an investment in the rationale of the poor, so too does “expenses for quality of life”. In the context of poor, disaster affected communities in India, concepts like social security systems, in particular pension plans and insurances, are totally foreign. However, *the poor are very conscious about the reality of a lack of pension plans and of social security systems*, in general. This is why, very logically, within their own cultural framework, they start building up other social security systems by investing in social capital, or by investing in what they call “quality of life”. As a matter of fact, in this cultural setting, the wording “quality of life” reflects the Western concept of social security systems. The question regarding “quality of life”, therefore, substituted questions concerning social security, such as pension plans, insurance and savings as a way to achieve social security. The answer categories were suggested by AIDMI staff, since social capital (investments in festivities and social things) constitutes a social security system in India the way Westerners might understand the concept. This particular example illustrates the importance of paying attention to how a question is formulated. Answer categories like “entertainment” were included because the poor might spend some of their money for pure entertainment, such as movies, to distract themselves from their every day life. “Child education” is seen as an investment that secures livelihood in the long run, since in traditional contexts like India, children take care of their parents; furthermore, sons and parents continue living together after the son’s marriage. Sending children to school thus directly affects the social security of the parents – with an education, the children are likely to have a greater income later and can look after their parents easier in the future. In a way, then, Abedaben of the case study in Chap. 4 invested in her own old age pension when she decided to only invest into the son’s private school education. As daughters will live their in-laws’ households, they work for the parents in law and cannot be counted on as own old age security.

Insurance. To illustrate to what extent basic social security systems of Western concept are unknown to poor Indians, the following example is cited: Before CCISB was started, AIDMI conducted a survey in a Bhuj slum (n=149, of which 90 were men and 59 women). All participants had BPL cards, qualifying them to receive certain rationed products for free from the government. Only 8% of them had even *heard* about insurances, whereas 92% *did not know what insurance was* and actually asked “What is insurance?” (Source: AFAT NIVAREN = Disaster Mitigation Issue No. 44, Oct. 2003, Article: “Bhuj Earthquake and Insurance”, p.10-12. Issue in Gujarati language, translation by HASAMUKH SADHU). In such a context, it was not considered appropriate to ask whether the micro entrepreneurs had had insurance before joining CCISB. The organization does offer disaster insurance, and the lack of social security systems underlines the importance of such NGO initiatives. It was, however, important to ask if CCISB members had the disaster insurance offered by CCISB because the NGO only informs its members about the possibility of having it, but does not put any pressure on them to become an insurance beneficiary. For this reason, finding out how many persons took out insurance after membership would indicate the extent to which

the information provided by CCISB on the relevance of insurance had actually reached people.

Debts. The main reasons for the poor to get indebted and to continue to take loans outside of CCISB, even if they have benefitted from the organization's funds, are health and education costs as well as social expenses. Therefore, it was crucial to ask if people still took loans from other sources than CCISB, what amounts and for what purpose.

Success. In order to find out how the interviewees defined their own personal success, first, questions related to business success were asked, such as "Is your business successful or does it need improvement, and if so, what kind of improvement?" or "What defines the success of a business?". Only at the end of this section of the questionnaire, a definition of personal success was asked for.

Questionnaires. The two questionnaires on business and investment strategies of micro enterprises in Gujarat, of which one was aimed at CCISB members and the other one at the control group, are presented in the annex in their English version. The results were analyzed statistically using SPSS 16.0.

5.3 Sample size

Quantitative analyses. For the quantitative empirical analyses, the study used a random sample of both CCISB members and non-members. Tab. 5.3 gives an overview of the sample size, distribution and the respective total population, so as to point out characteristics and significance of the sample.

For the sample of CCISB members, 204 out of a total of 5740 CCISB members were interviewed in 2008. As to the non-beneficiaries, 104 persons from different urban and rural communities in Gujarat were selected. The total population from which the sample of non-members was selected is summarized in Tab. 5.4.

Tab. 5.3 Survey sample

Categories	CCISB members	Non-members	Total sample	Remarks
Sample size	204	104	308	Significant sample size. Tab. 5.4 shows the total population from which the random sample was taken.
Ahmedabad	44	32	76	Different types of disaster occurred in the selected urban and rural districts, such as <ul style="list-style-type: none"> riots (Ahmedabad, Sabar Kantha) earthquake (Kutch, Patan) droughts (Patan) floods (Patan, Kutch)
Kutch	59	30	89	
Patan	60	22	82	
Sabar Kantha	41	20	61	
Urban areas	134	79	213	Two thirds of the sample taken in urban, one third in rural areas. Distinct socio-economic differences between urban and rural areas.
Rural areas	70	25	95	
Female	75	34	109	Especially in rural areas, fewer women than men were interviewed in this survey. In rural contexts, education levels are generally lower, tradition plays an even greater role, and women have less of a say. Quote Rajesh Bhat: "In poor and uneducated households, the woman would not say anything as long as the head of the household is present."
Male	129	70	199	
Hindu	72	41	113	Especially in Ahmedabad and Sabar Kantha, more Muslims than Hindus were interviewed which influences the total sample ratio. The explanation is that in both of these districts, the last disasters were heavy riots against the Muslim population. Since this survey was geared towards disaster affected business people, a majority of the interviewees in these districts were riot victims and thus, Muslims.
Muslim	129	62	191	

Source: N. SLIWA 2009. Business and investment strategies of micro enterprises in disaster affected areas of Gujarat, India. Survey: 2008

Tab. 5.4 Total population in the selected districts, cities/villages and communities under study

District	City/village	Slum community	Total population	Registered CCISB members (2008)	Remarks
Ahmedabad	Ahmedabad	Behrampur	120 000	n.a.	Behrampur and Gomtipur are predominantly Muslim slum communities.
		Gomtipur	1500	n.a.	
Kutch	Bhuj	Ashapuragar	1635	189	All of these slum communities in Bhuj are illegal settlements and could be torn down anytime by the Municipal Corporation.
		Ramnagari	5000	179	
		Kajalinagar	580	62	
		Mustuffanagar	1105	53	
		Jayprakashnagar	6000	14	
		Bhimraonagar	800	75	
		Kolivaas	675	28	
Patan	Radhanpur		32 191	Patan: 104	In Patan, interviews were taken in several villages. Here, only the two villages in which also the case studies were selected are listed.
	Shergadh village		963		
	Najapura village		1453		
Sabar Kantha	Modhasa	Rashidabad	4000 people live in three relief camps in Modhasa	n.a.	

Sources: own adaptation, based on Census of India, 2001, www.sabrang.com, www.hvk.org, www.thehindu.com, www.theislamicvoice.org, Aug. 2009; VERHAGEN & BHATT 2006: 21 and CCISB data. Note: n.a. = data not available

5.4 Data collection

To carry out the survey, teams of CCISB members and local volunteers were organized and instructed by Mr. Hasmukh Sadhu, secretary general of CCISB and AIDMI field coordinator. He had already organized the field work of University of Basel and AIDMI in 2005 for the evaluation of the Bhuj Reconstruction Project. For the study on micro enterprises, the teams were assigned to those areas where they had been engaged for a long time. Each team was assisted by local volunteers from the community under study itself. The survey was carried out during September and October of 2008. The questionnaires were then sent back to headquarters in Ahmedabad, controlled and translated where needed. The following table is an overview of the survey teams involved in the data collection, their respective areas and community types.

Tab. 5.5 Survey teams, their areas and community types

Team member	District	City	Community type
Chandresh Gor Yunus Khatri Halima Gor Kherunish Suleman Siddi	Kutch	Bhuj	Slum communities
JK Parmar	Sabar Kantha	Modasa	Urban and village communities
Kalpesh Prajapati Pranav Dave Janka Shrimali	Ahmedabad	Ahmedabad	Slum communities
Said Nagori Rasid Khan	Patan	Radhanpur	Urban and village communities

Source: N. SLIWA 2009: Business and investment strategies of micro enterprises in disaster affected areas of Gujarat, India. Survey: 2008

5.5 Expert interviews

To gain more insight not only into CCISB but also into the approach of other NGOs with a similar focus and into practical development work in general, interviews with experts from other non-governmental and international organizations were carried out. The questions addressed to these experts were related to:

- different approaches of NGOs and governmental organizations with respect to their effectiveness
- cooperation efforts in development work
- necessary improvements in development work.

Tab. 5.6 gives an overview of interviewed experts, their respective organizations, areas of specialization and discussed topics. Some of these experts were also asked specific questions on cultural issues and on context backgrounds, for example, regarding social capital in India, status of women in rural areas and similar.

Tab. 5.6 Interviewed experts, respective organizations and functions and discussed topics

Person	Organization	Type of organization	Function	Topics
Hasmukh Sadhu	CCISB	NGO	CCISB secretary general, AIDMI field coordinator	<ul style="list-style-type: none"> • Origin, establishment, organizational structure, functioning of CCISB • Main emphases of the organization • Visions for the future • Cooperation of CCISB with other NGOs • Cooperation of CCISB with the government • Cultural issues, such as the conceptualization of questions for the questionnaires.
Arpita Chhatrapati	CCISB, AIDMI	NGO	CCISB and AIDMI trustee and financial coordinator	<ul style="list-style-type: none"> • Organizational structure and governing body of CCISB • Roles and tasks of members of the governing body • Cooperation of CCISB with SEWA • Visions for the future • Necessary improvements to be made
Sanchit Oza	AIDMI	NGO	AIDMI free coordinator, Bihar flood response and school safety program	<ul style="list-style-type: none"> • Approaches of AIDMI and CCISB • Cooperation between AIDMI and other NGOs • Cooperation between AIDMI and the government • Cooperation between NGOs in general and the government • Cultural issues, such as interest rate systems in Gujarat
Mehul Pandiya	AIDMI	NGO	AIDMI evaluation coordinator	<ul style="list-style-type: none"> • Cooperation between AIDMI and other NGOs • Cooperation between AIDMI and the government • Organizational setup of NGOs • Cultural issues, such as social capital and social expenses
Malali Shah	SEWA	NGO	Vice-president of SEWA	<ul style="list-style-type: none"> • SEWA's cooperation with other NGOs • SEWA's cooperation with CCISB • SEWA's cooperation with the government • The role of cooperation between agencies in the small-scale sector • Determinants of success of an NGO

Tab. 5.6 Interviewed experts, respective organizations and functions and discussed topics (continued)

Person	Organization	Type of organization	Function	Topics
Achyut Yagnik	SETU	NGO	Founder and president of SETU, journalist, author and lecturer	<ul style="list-style-type: none"> Poverty and marginalization in Gujarat Government efforts in poverty reduction Cooperatives movement in Gujarat Riots in Gujarat SETU programs SETU's cooperation with SEWA, AIDMI and Aware Foundation SETU's cooperation with other NGOs SETU's cooperation with NABARD bank and the Ahmedabad Municipal Corporation between NGOs and governments The role of small NGOs in development
Rajesh Bhat	Aware Foundation	NGO	Formerly board of directors of ASAG – Ahmedabad Study Action Group, founder of the Aware Foundation and its associated Matrusmriti Trust	<ul style="list-style-type: none"> Poverty in India and lack of definitions Credit systems in Gujarat Income Generation Activities Microfinance approaches of governmental organizations and of NGOs in comparison ASAG programs and focus of the newly established Aware Foundation
U.S. Shevde	NABARD	Government	General Assistant Manager of NABARD, head of the microfinance section in the State of Gujarat	<ul style="list-style-type: none"> Poverty definitions in India Governmental programs for development Governmental approaches in microfinance (e.g. self-help groups) Cooperation between government and NGOs Evaluation of NGOs through the government
Rakhi Bhavnani	UNISDR, World Bank	International organization	Disaster Risk Management Consultant to the World Bank and UNISDR	<ul style="list-style-type: none"> Reasons for low cooperation between NGOs and governments Suggestions for an improvement of cooperation between NGOs and governments Inefficiency in development work and suggestions for an improvement The role of donors The role of small and big NGOs in development work Determinants of success of NGOs

Source: N. SLIWA 2009: Business and investment strategies of micro enterprises in disaster affected areas of Gujarat, India. Expert interviews: Sept./Oct. 2008

5.6 Evaluation – difficulties of the study

Research seldom runs smoothly. This study too, faced various challenges, mostly of cultural nature, that needed to be overcome in order to carry out the research successfully.

Physical challenges

- Overcoming distances. The poor transportation systems, the remoteness of certain areas, such as the district of Kutch, and great distances between villages in Patan meant long journeys to reach the interviewees and do case studies, even when the distances on a map are not that far. For this reason, the project needed to finance the accommodation and time of the survey teams that stayed in-situ during the whole project.
- Health. Working in the context of Indian slum communities is, in itself, challenging: heat, dust, dirt, rubbish, strong smells and bad air, sick dogs, crowds of people and the fear to eat or drink something that could make a Westerner sick are just some of the factors making field work in India a special experience. Added to this, the precautionary measures taken against malaria have strong side effects. Malaria is such a common illness in India that locals have a hard time understanding why Westerners worry about it. This should not mislead a Westerner to underestimate this potential problem, and they are well advised to continue their malaria prevention measures, no matter what locals think of it.
- Fear. Furthermore, working in poor slums means that as an obvious Westerner, one is also a potential victim of robbery or theft and has to be careful where to go or not.

Cultural challenges

- Language barriers. Language problems occurred because of different understandings of concepts between the two cultures (Western and Indian). An example is the term “livelihood”. In Western research, the term “livelihood” describes, for instance, the material and immaterial capacity of a household to secure livelihood through human, natural, social, material and financial capital (KRÜGER & MACAMO 2003: 49). In India, the words “business” and “livelihood” are often used interchangeably, because “what does business actually mean? It means livelihood!” (SADHU, H., pers. comm., Sept. 2008). Another example is the Indian concept of “quality of life”, which reflects the means used to achieve social security or social capital and determines each and every action an Indian undertakes. Such concepts needed to be understood and inte-

grated into the research. Social capital concerns, for example, were predominant in all daily interactions. Building up a good relationship with foreigners who brought money was seen as contributing towards increasing social status. The immediate association of foreigners with money and the mentioning thereof leaves at times an awkward feeling.

- Differences in work style. Indian work style and sense of timing differ to a great extent to Western culture. Schedules were constantly adapted or forgotten about, which was felt particularly when the planning for doing the case studies had to be redone, postponed and again, adapted.

Agreements were not necessarily seen as fixed and had the tendency to be adapted without informing the partner. This led to a heightened need to check and double-check on steps and procedures which cost a great deal of time and effort. People had to be *convinced* that they had to do something in a certain way.

- Criticism. Professional suggestions, such as revisions of draft versions or adaptations as to the work were generally regarded as personal criticism and “bad treatment”, no matter how carefully one chose wordings and phrasing.

Conclusions

To sum up, working in India, and especially doing field work in the context of poor urban and rural communities was challenging but worthwhile. Such research can only be done *in situ*, and with the help of local experts and NGOs, no matter how great the difficulties may be. Also, living in India, talking to Indians, interviewing local experts made theoretical concepts very practical and helped to further insight into the research question at hand. Returning to Switzerland was, again, an eye opener. It deepened the appreciation of those involved in the project of the excellent living and working conditions in Switzerland even more.

6 The structure of the micro enterprises studied

“We are poor but so many.” (ELA BHATT)

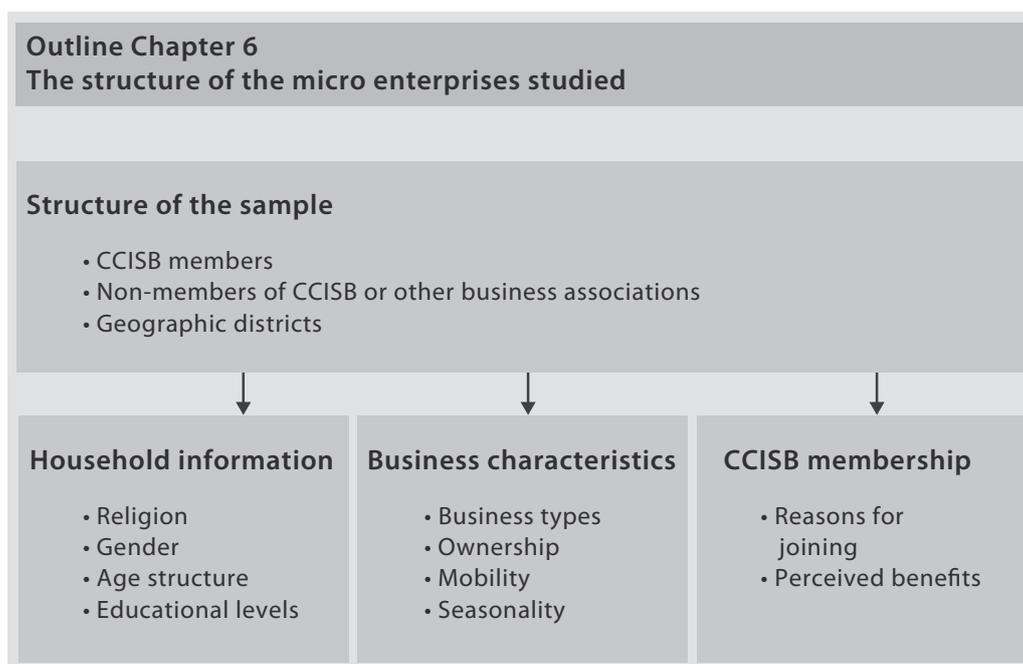


Fig. 6.1 Outline Chapter 6. Source: Author’s design

The following chapter deals with the structure of the unorganized micro enterprise sector and the benefits/disadvantages of the organization in the Chamber of Commerce for Industry and Small Scale Businesses as perceived by the interviewed micro entrepreneurs according to the main variables rural or urban, education and gender. As outlined in Chapter 1, the following aspects will be analyzed:

What is the structure of the unorganized micro enterprise sector? Focus will be on:

- structure of the sample
- information on households of micro entrepreneurs
- business characteristics
- business ownership and mobility
- business expansion and contributors
- peak seasons.

What are benefits of the organization in the Chamber of Small Scale Industries and Businesses? Focus will be on:

- reasons for joining the organization
- advantages and disadvantages
- relationship with other micro entrepreneurs.

In general, data analyses in Chapters 6 to 8 are exploratory. The focus of this empirical research is on identifying

- what decisions are being reported
- which constraints figure most prominently and
- which social dilemmas appear to steer the individual micro enterprise/household of the unorganized sector in the areas studied away from an optimal, i.e. self-sustaining solution, leaving the individual and his family worse off in the long run.

The quantitative analyses, then, do not put forth specific hypotheses pertaining to each variable, but rather take an inductive, exploratory approach using quantitative and qualitative methods focused on identifying and understanding the business strategies, the economic, social and cultural constraints, and the adaptation thereto of already vulnerable micro entrepreneurs. As such, data is analyzed fully, and each question is fully cross tabulated with variables such as district, urban and rural areas, sex, religion, age, education, income, profits and savings, to name just the most important ones. Wherever possible, the findings are embedded in statements and feedback from qualitative interviews. The following two chapters present, however, only the most pertinent findings in order to highlight the central issues and to avoid redundancies.

6.1 Structure of the sample

The structure of the sample pivots around the central differences of rural or urban, male or female and Hindi or Muslim. The characteristics of the sample are described here further concerning household composition reflecting financial burden, age structure of interview partners reflecting business experience and level of education as indicator of socio-economic potential and indirectly of gender discrimination.

6.1.1 Overview of main interviewee characteristics

The sample of the interviewed CCISB members in all four districts under study shows a normal distribution (between 20.1% and 29.4%, Tab. 6.1). As intended, about two thirds of the sample represents urban and one third rural areas (65.4%; 34.3%, Tab. 6.2). CCISB originated in urban areas and only recently expanded its work to rural areas. Consequently, the emphasis of the survey was on urban areas where members have been associated with the organization for a longer period of time and possible effects of their association with it would be more evident.

Tab. 6.1 Sample distribution in the districts under study

District	Frequencies	
	Absolute	%
Ahmedabad	44	21.6
Kutch	59	28.9
Patan	60	29.4
Sabar Kantha	41	20.1
Total	204	100.0

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in vil-
lages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

Tab. 6.2 Sample distribution in urban and rural areas

Urban/rural areas	Frequencies	
	Absolute	%
Urban	134	65.7
Rural	70	34.3
Total	204	100.0

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in vil-
lages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

Gender ratio. As to the gender ratio of the survey, two thirds of the interviewees were male and one third female (Tab. 6.3). In traditional contexts like India, women have less of a say, and especially so in rural areas, where “women would not even speak as long as the head of the household is present” (BHAT, R., pers. comm., Oct. 2009). Accordingly, in rural areas, only 15.7% of the interviewees were female, as compared to 84.3% who were male (Tab. 6.4). Although one has to understand the cultural background behind such an unequal gender ratio especially in rural areas, it is somewhat strange to see that contrary to CCISB’s mission to particularly focus on women as agents of change and actors of development, in terms of evaluative research, the opposite may be seen with more men being interviewed than women. In this survey, men were in most cases the interview partner even when it was the female taking financial decisions in the household and being supported by SEWA. This shows a bias on behalf of the male interviewer themselves and would have to be addressed in a different manner in future surveys – by involving more female interviewers, for instance, who particularly talk to the women of a household.

Tab. 6.3 Gender distribution in the districts under study

Gender \ District	Ahmedabad (n=44)	Kutch (n=59)	Patan (n=60)	Sabar Kantha (n=41)	Total (n=204)
female (n=75)	75.0	50.8	11.7	12.2	36.8
male (n=129)	25.0	49.2	88.3	87.8	63.2
Total	100.0	100.0	100.0	100.0	100.0

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

Tab. 6.4 Gender distribution in urban and rural areas under study

Gender \ Urban/rural	urban (n=134)	rural (n=70)	Total (n=204)
female (n=75)	47.8	15.7	36.8
male (n=129)	52.2	84.3	63.2
Total	100.0	100.0	100.0

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

Tab. 6.5 Religion distribution in the districts under study

Religion \ District	Ahmedabad (n=44)	Kutch (n=59)	Patan (n=60)	Sabar Kantha (n=41)	Total (n=204)
Hindu (n=72)	31.8	49.2	48.3	0.0	35.3
Muslim (n=129)	68.2	50.8	46.7	100.0	63.2
n.a. (n=3)	0.0	0.0	3.0	0.0	3.0
Total	100.0	100.0	100.0	100.0	100.0

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

This study takes a gender-sensitive approach in the analyses because “women in Gujarat tend to have unequal access to the market, little control over the profits of their enterprises, especially when they are poor. Their intra-household bargaining power is low. At the same time, women who control their income are likely to invest substantial time, energy and creativity in their enterprises leading to a better economic outcome” (KANTOR 2005: 64).

Religion. Whereas in the districts of Kutch and Patan, the share of interviewed Muslims and Hindus was almost equal (nearly 50% each), significantly more Muslims than Hindus were interviewed in Ahmedabad and Sabar Kantha which influences the total sample ratio (Tab. 6.5). The explanation is that in both of these districts, the most recent disaster had been the heavy riots against the Muslim population. Since this survey was targeted at disaster affected micro entrepreneurs, a majority of the interviewees in these districts were riot victims, and hence, Muslims. In Sabar Kantha, all of the interviewees were still living in Relief Camps provided by the Islamic Relief Committee.

6.1.2

Information on households of micro entrepreneurs

Household composition. Almost 90% of the households comprised between 4 and 6 people (Tab. 6.7), and 60.9% of the interviewees were husbands indicating to have a wife. Less than 10% were not married. Nearly 90% had at least one child, 74.3% had two and 43.1% had three children (Tab. 6.6). As to the number of children per household, there were no significant differences regarding districts, urban and rural areas or religion of the interviewed households. Most of them had two or three children (31.4%; 27.9%, Tab. 6.8). This might seem a comparatively low number, but one has to take into consideration the rather young age of a majority of couples (Tab. 6.9): if at age 31, for instance, these couples already have three children, then it is likely that they will have more children in the coming years without necessarily increasing their financial means.

Tab. 6.6 Household composition

Household composition	Frequencies		
	absolute	%	% of cases
self	202	20.9	100.0
husband	61	6.3	30.2
wife	123	12.7	60.9
father	11	1.1	5.4
mother	31	3.2	15.3
child 1	178	18.4	88.1
child 2	150	15.5	74.3
child 3	87	9.0	43.1
grandchild 1	16	1.7	7.9
grandchild 2	8	0.8	4.0
grandchild 3	3	0.3	1.5
daughter-in-law 1	21	2.2	10.4
daughter-in-law 2	3	0.3	1.5
daughter-in-law 3	1	0.1	0.5
brother/sister 1	11	1.1	5.4
brother/sister 2	4	0.4	2.0
brother/sister 3	2	0.2	1.0
other 1	38	3.9	18.8
other 2	13	1.3	6.4
other 3	2	0.2	1.0
Total	965	100.0	477.7

Tab. 6.7 Number of people per household

Number of people per household	Frequencies		
	absolute	%	cumulative %
1	5	2.5	2.5
2	13	6.4	8.8
3	17	8.3	17.2
4	54	26.5	43.6
5	57	27.9	71.6
6	37	18.1	89.7
7	13	6.4	96.1
8	5	2.5	98.5
9	1	0.5	99.0
10	1	0.5	99.5
12	1	0.5	100.0
Total	204	100	

Tab. 6.8 Number of children per household

Number of children per household	Frequencies		
	absolute	%	cumulative %
0	24	11.8	11.8
1	20	9.8	21.6
2	64	31.4	52.9
3	57	27.9	80.9
4	24	11.8	92.6
5	12	5.9	98.5
6	2	1.0	99.5
7	1	0.5	100.0
Total	204	100.0	

Source (Tab. 6.6 - 6.8): UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

Age structure. The majority of the interviewed household heads was between 31-40 and 41-50 years old (46.5%; 29.7%, Tab. 6.9) which means that there was a good balance between young couples of up to 30 years of age and those who had already been married for almost 20 years. This meant in terms of micro enterprises, that the sample represents both “starters” who have just begun their businesses and their married life as well as more experienced households. It was assumed that “starters” would have a different attitude to child education and business development than families whose children had already grown up and who had joined CCISB at a more mature age.

It is of note that the age group distribution of wives differed from that of husbands: whereas most wives belonged in the age group 31 to 40 years (44.2%), sharply decreasing to 27% in the next age group 41 to 50 years, husbands were strongly represented in the latter age group with 41% (Tab. 6.9). Similarly, the share of very young wives was significantly higher in the 21-30 age group (18.3% as compared to just 8%). Wives in India are generally much younger than their husbands and marry at an early age (see Chapter 3). This also means that women have less time for education and less time to develop own ideas for their lives or have an own profession. Rather, they have to adapt quickly to their husbands’ lives. In the long run, this means that women cannot use their potential to contribute to the family’s economic well-being. Patterns of poverty may thus be cemented: young wives without education or an own profession often have 3 children by the time they are 30, their families grow larger while they continue to live from just one income, and recurring disasters further increases their vulnerability.

Tab. 6.9 Age of interviewees, husbands and wives

Age	11-20 years (in %)	21-30 years (in %)	31-40 years (in %)	41-50 years (in %)	51-60 years (in %)	Total
interviewees (%)	(n=1) 0.5	(n=23) 11.4	(n=94) 46.5	(n=60) 29.7	(n=24) 11.9	(n=202) 100.0
husbands (%)	(n=0) 0.0	(n=5) 8.2	(n=24) 39.3	(n=25) 41.0	(n=7) 11.5	(n=61) 100.0
wives (%)	(n=0) 0.0	(n=22) 18.3	(n=53) 44.2	(n=33) 27.5	(n=11) 9.2	(n=119) 100.0

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

Education levels. The general pattern showed that a majority of the interviewees – no matter whether they were female or male – had only been to primary school (42%, Tab. 6.10). A comparison of education levels between female and male micro entrepreneurs illustrates the extent to which education in India is still a male and not necessarily a human right: whereas nearly 40% of the interviewed female micro entrepreneurs were illiterate – uneducated – this was only the case

for 8% of the male interviewees. Of interviewees with a primary school education, the ratio is nearly gender-balanced, but regarding higher education levels the differences between the genders is again clear: only 12.3% of female interviewees had been to middle school, and just 4.1% to secondary school, whereas the male percentages here were at 26.8% and 20.5% respectively. 4% of male interview partners had even gone to college or to university. Between husbands and wives, the greatest difference with respect to education levels can be observed at the level of illiteracy (“uneducated”): whereas 23.3% of the husbands had never seen a school from inside, the share of wives who were illiterate was nearly twice as high – with 42.6% (Tab. 6.10). Gender discrimination in education matters has a massive socio-economic impact for future generations: girls learn from their own families that their education is of no importance. Once they become mothers, they pass the message they have learnt onto their daughters. At the same time, the boys learn from an early age that everything in a family is subordinated to their needs, leading in all probability to gender discrimination being passed onto the next generation. Furthermore, depriving females from education means that neither additional qualification nor useful knowledge is brought into the family. Thus, there will be no additional income, either, that could actually help a family out of poverty.

Tab. 6.10 Education levels of female and male interviewees, husbands and wives

Education level	uneducated (in %)	primary school (in %)	middle school (in %)	secondary school (in %)	higher education (college, university) (in %)	Total
interviewees (%)	(n=39) 19.5	(n=84) 42	(n=43) 21.5	(n=29) 14.5	(n=5) 2.5	(n=200) 100.0
females (%)	(n=29) 39.7	(n=32) 43.8	(n=9) 12.3	(n=3) 4.1	(n=0) 0.0	(n=73) 100.0
masculine (%)	(n=10) 7.9	(n=52) 40.9	(n=34) 26.8	(n=26) 20.5	(n=5) 3.9	(n=127) 100.0
husbands (%)	(n=14) 23.3	(n=31) 51.7	(n=9) 15.0	(n=4) 6.7	(n=3) 3.3	(n=58) 100.0
wives (%)	(n=52) 42.6	(n=47) 38.5	(n=20) 16.4	(n=2) 1.6	(n=1) 0.8	(n=122) 100.0

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

The cross tabulation between education levels of female and male micro entrepreneurs in the four selected disaster affected districts is highly significant. The highest share of illiterate women was found in the districts of Kutch and Patan (56.7%, 50%, Tab. 6.11). Both districts are perceived as “backward” – Patan,

because it is a mainly agricultural, rural area, and Kutch, because its share of tribal population and backward castes are the highest in the whole State of Gujarat. Regarding education levels, statistics suggest that these districts follow a very traditional, conservative pattern. In sharp contrast, the district of Sabar Kantha showed 0% illiteracy among the interviewed women, which is remarkable. 40% of the female micro entrepreneurs in this district had been to middle school, and 20% to secondary school. Sabar Kantha is a predominantly Muslim district, 100% of the interviewees from here were Muslims. Since they constitute a minority in India that is often regarded with disdain and discriminated against – too easily associated with terror and the enemy of Pakistan – Muslims in India tend to emphasize education, even for their women, as a means of upward social mobility in a society that marginalizes them. However, even in Sabar Kantha, the education levels of men were significantly higher than those of women. 61.1% of male interviewees had been to secondary school, compared to just 20% of the females. Ahmedabad and Kutch show similar patterns, with 72.7% and 62.5% of the male interviewees having been to primary school (Tab. 6.11). These figures are well above the overall average of 42%.

Tab. 6.11 Education levels of female and male interviewees, according to districts

District	Ahmedabad	Kutch (n=30)	Patan (n=6)	Sabar Kantha	Total (n=73)
Education females	(n=32)			(n=5)	
uneducated	28.1	56.7	50.0	0.0	39.7
primary school	50.0	36.7	50.0	40.0	43.8
middle school	18.8	3.3	0.0	40.0	12.3
secondary school	3.1	3.3	0.0	20.0	4.1
Total	100.0	100.0	100.0	100.0	100.0
District	Ahmedabad	Kutch (n=29)	Patan (n=53)	Sabar Kantha	Total (n=129)
Education males	(n=11)			(n=36)	
uneducated	18.2	20.7	5.7	0.0	8.5
primary school	72.7	65.5	49.1	0.0	41.1
middle school	9.1	13.8	32.1	33.3	26.4
secondary school	0.0	0.0	7.5	61.1	20.2
higher education (college, university)	0.0	0.0	5.7	5.6	3.9
Total	100.0	100.0	100.0	100.0	100.0

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

6.2 Business characteristics

6.2.1 Business types

Overview of business types. The most common business types represented in the survey are grocery shops and farming (each around 10%), daily wage earners (8-9%), sewing (7.6%) and the selling of readymade textiles (around 7%). The category “other” comprised multiple businesses such as tea selling, a shop with “fancy lady items”, “Masala spices” or grain trading. These types of businesses were named only once and could not be classified. CCISB membership did not change the type of business the interviewees had. Rather, people added another type of business to the one they already had, thus expanding. This explains the slight increase of percentages in certain business categories after joining CCISB, for instance, among the grocery shop owners (Tab. 6.12).

Business types, according to districts and urban/rural areas. The business types varied significantly among the districts under study, as some figures highlight: in Patan, for example, 33.9% of the business types were farmers and 25.4% daily wage earners (Tab. 6.13). This reflects a rural context, where farming is the main occupation. The high share of daily wage earners mirrors the socio-economic situation of the district, with low education levels and little employment people are forced to offer the only thing they dispose of – their physical strength – for daily labor work. In Ahmedabad and Kutch, textile related businesses are important (sewing: 22.7% and 10.2%, respectively; selling of readymade textiles: 13.6% and 10.2%, respectively). As was portrayed in Chapter 3, Ahmedabad has a long history of textile mills and related work, which is even reflected in the micro enterprise sector at the individual level. The district of Kutch, too, is famous for its traditional textile work, referred to as “Kutchi work” or “Kutchi handicraft”. Here, little mirrors are stitched onto clothes, various types of traditional dresses or bags. In Sabar Kantha, groceries belong to the most important business type, perhaps reflecting the religious structure of the district and the special food needs of the Muslims. This business type increased from 34.1% to 42.5% after interview partners joined CCISB after the riots.

The differentiation of business types according to urban and rural areas shows that in rural areas, after farming (29%), groceries is the next main category (21.7%), surpassing daily labor work (14.5%) (Tab. 6.14). In contrast, in urban areas, besides various textile related work, snack shops constitute an important business category (10.4%). These figures highlight the different market structures of rural and urban areas: in rural areas, basic daily infrastructure, such as

groceries, is scarce. Thus, the need for businesses selling groceries is high. In the urban context of Ahmedabad, groceries are easily available. There is a greater need for businesses offering special snacks.

The specific patterns evident in each of the districts indicates that the different contexts and populations need different approaches to support and assistance, accounting more for predominant occupational structures, traditions and endogenous potentials. SEWA, for example, has given Kutchi handicraft an own label (“Banascraft”) and markets these products as “fair trade” successfully at an international scale. Similar strategies could be developed for other micro entrepreneurs who are organized in organizations, such as CCISB.

Tab. 6.12 Type of business before and after joining CCISB

Type of business	Before joining CCISB		After joining CCISB	
	absolute	%	absolute	%
snack shop	15	7.1	14	6.6
grocery shop	21	10.0	23	10.9
garment shop	3	1.4	3	1.4
vegetable vendor	4	1.9	4	1.9
electrician	4	1.9	3	1.4
carpenter	3	1.4	3	1.4
daily wage earner	19	9.0	17	8.1
farming	20	9.5	21	10.0
cutlery	10	4.7	9	4.3
pan shop	10	4.7	10	4.7
sewing	16	7.6	16	7.6
stitching	10	4.7	10	4.7
readymade textile selling (clothes, sarees, panties, garments)	15	7.1	15	7.1
cycle repairing	6	2.8	6	2.8
utensils vendor	5	2.4	5	2.4
animal husbandry	4	1.9	4	1.9
other	46	21.8	48	22.7
Total	211	100.0	211	100.0

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

Tab. 6.13 Business types according to districts, before and after joining CCISB

Business type	Before joining CCISB				After joining CCISB			
	Ahmedabad (n=44)	Kutch (n=59)	Patan (n=59)	Sabar Kantha (n=41)	Ahmedabad (n=44)	Kutch (n=59)	Patan (n=59)	Sabar Kantha (n=40)
snack shop	2.3	22.0	0.0	2.4	2.3	22.0	0.0	0.0
grocery shop	2.3	1.7	8.5	34.1	2.3	1.7	6.8	42.5
garment shop	0.0	5.1	0.0	0.0	0.0	5.1	0.0	0.0
vegetable vendor	2.3	3.4	0.0	2.4	2.3	5.1	0.0	0.0
electrician	0.0	1.7	3.4	0.0	0.0	0.0	3.4	0.0
carpenter	0.0	3.4	1.7	0.0	0.0	3.4	1.7	0.0
daily wage earner	0.0	6.8	25.4	0.0	0.0	6.8	22.0	0.0
farming	0.0	0.0	33.9	0.0	0.0	0.0	35.6	0.0
cutlery	13.6	5.1	0.0	2.4	13.6	5.1	0.0	0.0
pan shop	2.3	0.0	1.7	19.5	2.3	0.0	1.7	20.0
sewing	22.7	10.2	0.0	0.0	22.7	10.2	0.0	0.0
stitching	22.7	0.0	0.0	0.0	22.7	0.0	0.0	0.0
readymade textile selling (clothes, sarees, panties, garments)	13.6	10.2	1.7	4.9	13.6	10.2	1.7	5.0
cycle repairing	2.3	3.4	0.0	7.3	2.3	3.4	0.0	7.5
utensils vendor	0.0	8.5	0.0	0.0	0.0	8.5	0.0	0.0
animal husbandry	0.0	1.7	5.1	0.0	0.0	1.7	5.1	0.0
other	15.9	22.0	23.7	31.7	12.7	9.0	8.7	5.1
% of total	21.7	29.1	29.1	20.2	21.8	29.2	29.2	19.8

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

Tab. 6.14 Business types in urban and rural areas, before and after joining CCISB

Urban/rural areas Business type	Before joining CCISB		After joining CCISB	
	urban (n=134)	rural (n=69)	urban (n=134)	rural (n=68)
snack shop	10.4	1.4	10.4	0.0
grocery shop	4.5	21.7	5.2	23.5
garment shop	2.2	0.0	2.2	0.0
vegetable vendor	3.0	0.0	3.0	0.0
electrician	2.2	0.0	1.5	0.0
carpenter	1.5	1.4	1.5	1.5
daily wage earner	6.7	14.5	6.7	11.8
farming	0.0	29.0	0.0	30.9
cutlery	6.7	1.4	6.7	0.0
pan shop	3.0	8.7	3.0	8.8
sewing	11.9	0.0	11.9	0.0
stitching	7.5	0.0	7.5	0.0
readymade textile selling (clothes, sarees, panties, garments)	10.4	1.4	10.4	1.5
cycle repairing	2.2	4.3	2.2	4.4
utensils vendor	3.7	0.0	3.7	0.0
animal husbandry	1.5	2.9	1.5	2.9
other	24.6	20.3	24.6	23.5
% of total	66.0	34.0	66.3	33.7

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

Gender specific business types. As in industrialized countries, certain business types in India are clearly gender specific. “Male businesses” in this survey were, for instance, electric work, cycle repairing, farming and daily wage earning (84.2 to 100% of these micro entrepreneurs were male, Tab. 6.15). In contrast, textile-related work, such as sewing, stitching, selling of garments as well as of utensils (kitchen items) were more “female businesses” (66.7% to 100%). Again, this only illustrates that gender specific approaches in development efforts have to be taken to support women in their traditional work, which generally has different demands to “male work”. There cannot be one general approach for business promoting strategies: one has to differentiate according to district, area, endogenic potential, structure and gender.

Tab. 6.15 Business types according to gender, before and after joining CCISB

Business type	Before joining CCISB		After joining CCISB	
	female (n=75)	male (n=128)	female (n=75)	male (n=127)
snack shop	46.7	53.3	50.0	50.0
grocery shop	9.5	90.5	8.7	91.3
garment shop	66.7	33.3	66.7	33.3
vegetable vendor	25.0	75.0	25.0	75.0
electrician	0.0	100.0	0.0	100.0
carpenter	0.0	100.0	0.0	100.0
daily wage earner	15.8	84.2	17.6	82.4
farming	15.0	85.0	14.3	85.7
cutlery	60.0	40.0	66.7	33.3
pan shop	10.0	90.0	10.0	90.0
sewing	93.8	6.3	93.8	6.3
stitching	100.0	0.0	100.0	0.0
readymade textile selling (clothes, sarees, panties, garments)	80.0	20.0	80.0	20.0
cycle repairing	0.0	100.0	0.0	100.0
utensils vendor	80.0	20.0	80.0	20.0
animal husbandry	50.0	50.0	50.0	50.0
other	19.1	80.9	18.4	81.6
% of total	36.9	63.1	37.1	62.9

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

6.2.2

Ownership of business

More than 85% of the micro entrepreneurs interviewed stated they owned their business, and only 10% indicated the need to pay fees or bribes (Tab. 6.16). These figures illustrate to what extent “self-employment” is a structural feature of the informal sector in India. Micro entrepreneurs “employ themselves” rather than work for somebody else under even worse conditions. This also means that the micro sector in India is characterized by a high degree of self-motivated entrepreneurship, the potential of which is not yet fully used. Although the overall pattern with a majority of interviewees owning their business is clear, there

are slight differences between the districts (Tab. 6.16). Whereas in Ahmedabad, 100% stated they were owners, only 72.4% in Patan said so, which is, at the same time, the district with the highest percentage of business people paying fees or bribes. This highlights again the differences between urban and rural areas, with the rural poor being financially more dependant. Their businesses are marked by a lack of access to necessary business materials, by a lack of transportation facilities, less income, and therefore, also less business assets or ownership.

Tab. 6.16 Ownership of business, according to districts

Ownership of business	District	Ahmedabad (n=42)	Kutch (n=54)	Patan (n=58)	Sabar Kantha (n=41)	Total (n=195)
I own it		100.0	87.0	72.4	87.8	85.6
I pay fees/bribes		0.0	9.3	22.4	9.8	11.3
I don't know		0.0	0.0	5.2	2.4	2.1
I do not own it		0.0	1.9	0.0	0.0	0.5
I do not pay anything		0.0	1.9	0.0	0.0	0.5
% of total		21.5	27.7	29.7	21.0	100.0

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

Regarding business ownership, there are significant **gender specific differences** (Tab. 6.17): although by and large, a majority of the interviewed men and women owned their businesses, only 2.9% of the female but nearly five times as many male micro entrepreneurs (16%) paid fees or bribes. In other words: almost 95% of the women interviewed, but just 80% of the men owned their businesses, which is significant. It is possible that women put a particular emphasis on ownership in order to avoid unnecessary costs. This would indicate a gender specific behavior in terms of financial handlings. To own a business, it is necessary to first save money in order to be able to purchase the needed business assets. The underlying savings behavior behind ownership, therefore, differs between the sexes, as do patterns of expenses. Ownership also means self-reliance, and women seem to value self-reliance, especially in a traditional setting, even more than men.

Education is a significant factor of influence regarding ownership (Tab. 6.18). Whereas about 92% of the illiterate interviewees own their businesses and are “self-employed micro entrepreneurs”, this percentage decreases to just 76.7% of those having finished middle school and to 40% of those with a higher education. At the same time, the share of those paying fees increases with increasing education levels: from just 2.7% of the illiterate to 18.6% of those who have been to

middle school. Considering that micro entrepreneurs at the lowest level are barely able to sustain themselves and their families on a daily basis, this distribution of figures is not surprising. This group of entrepreneurs would most likely try to avoid paying additional fees and creating dependencies. Furthermore, without an education, they do not have the qualifications needed for skilled labor, be this electric work, tire repair or similar, activities that would be connected with costs or “fees” for specific quality material, storage or a small shop.

Tab. 6.17 Ownership of business, according to gender

Ownership of business \ Gender	female (n=70)	male (n=125)
I own it	94.3	80.8
I pay fees/bribes	2.9	16.0
I don't know	0.0	3.2
I do not own it	1.4	0.0
I do not pay anything	1.4	0.0
Total	100.0	100.0

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

Tab. 6.18 Ownership of business, according to education

Ownership of business \ Education	uneducated (n=37)	primary school (n=80)	middle school (n=43)	secondary school (n=28)	higher education (college, university) (n=5)
I own it	91.9	88.8	76.7	89.3	40.0
I pay fees/bribes	2.7	10.0	18.6	10.7	40.0
I don't know	0.0	1.3	4.7	0.0	20.0
I do not own it	2.7	0.0	0.0	0.0	0.0
I do not pay anything	2.7	0.0	0.0	0.0	0.0
Total	100.0	100.0	100.0	100.0	100.0

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

6.2.3 Business mobility

A large majority of interviewees have their business in a fixed place (70.9%, Tab. 6.19). Differentiation according to urban and rural areas (Tab. 6.20) and according to districts (Tab. 6.19) shows that in urban contexts, a higher share of businesses were mobile (36.6%) than in rural areas (8.7%, Tab. 6.20). This might be due to the fact that distances in urban communities are smaller, and customers can be reached easier than in remote areas without good transportation facilities. The fact that in this survey, nearly 90% of the businesses in rural areas were fixed (61.2% in urban contexts) supports this argument. In Patan, for example, where farming, but also basic grocery shops are important business types, the rates of mobile businesses are low (20.3%). In Sabar Kantha, grocery shops are also a main business type. Here, 87.8% of interviewees stated their business was fixed. In contrast, mobile snack vendors and readymade garment sellers who both use handcarts are of significance in Kutch. Here, the share of mobile businesses is the highest (47.5%).

Tab. 6.19 Mobile or fixed business, according to districts

Mobile or fixed business \ District	Ahmedabad (n=44)	Kutch (n=59)	Patan (n=59)	Sabar Kantha (n=41)	Total (n=203)
mobile	22.7	47.5	20.3	12.2	27.1
fixed	70.5	52.5	78.0	87.8	70.9
mobile and fixed	6.8	0.0	1.7	0.0	2.0
% of total	21.7	29.1	29.1	20.2	100.0

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

Tab. 6.20 Mobile or fixed business, according to urban and rural areas

Business mobile or fixed \ Urban/rural areas	urban (n=134)	rural (n=69)	Total (n=203)
mobile	36.6	8.7	27.1
fixed	61.2	89.9	70.9
mobile and fixed	2.2	1.4	2.0
% of total	66.0	34.0	100.0

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

In sum, whether a business is mobile or on a fixed place, depends mainly on two factors:

- on geographic location and infrastructure (remote places versus connected short distances), and
- on business types: in urban areas, where groceries are not as scarce as in rural contexts, mobile snack vendors have a good business, whereas rural business types like farming or animal husbandry demand fixed places.

It is possible that mobile businesses also reflect a difficult economic situation of the business owner (SADHU, H., pers. comm., Sept. 2008). Mobile micro entrepreneurs usually do not have good business assets – mostly just a handcart that might even be rented – and in addition to selling, they have to constantly transport their own goods around, searching for customers. Although education – like gender or religion – is of no obvious significance to whether or not a business is mobile, there is a slight tendency that the share of mobile businesses is inversely related to education levels (table not shown).

6.2.4 Business expansion

A large majority of the interviewed micro entrepreneurs stated that they had expanded their business (76%, Tab. 6.21). However, there are noteworthy differences between the districts: whereas both in Ahmedabad and Kutch, where CCISB started its work early, 81% said they had expanded, only 35% in Sabar Kantha could state the same. Not only has CCISB started working in this district only recently, but the situation of riot victims who continue to live in Relief Camps is miserable and translates into less economic improvement via business expansion. Furthermore, education levels in this district are comparatively high, which means interviewees might have a different perception of what business expansion actually means.

In contrast, 95% of the interviewees in Patan said they had expanded their business, although CCISB has only been present there for a short time, and income levels in this rural context with a high dependency on weather conditions and seasons are generally much lower. This pattern could indicate on the one hand, that in rural contexts, where poverty is severe due to geographic, climatic and socio-economic conditions, even small steps and little efforts can have a great impact. On the other hand, this could also be interpreted as a “cover up” of the desperate reality. Instead of admitting that the business is not going well at all, people just say it is alright. The differentiation according to urban and rural districts (Tab. 6.22) rather strengthened this impression: less rural than urban businesses had expanded (66.2% vs. 81.1%). In rural areas, there is less income generation, there are less clients due to a smaller purchasing power, and hence, also less sales. In short: cash flow in rural areas is very slow (BHAT, R., pers. comm., 17th Aug. 2009, on evaluating research results).

Given the high illiteracy and generally low education levels in Patan, one might reflect on how “business expansion” is defined by these interviewees: whereas from a Western view point, one would consider a second shop, a higher number of employees, a higher turnover and increased investment as “expansion”, in the Indian context of micro enterprises, also answers like “I dedicate more time to my business”, “I have more contacts” or “I can take a bus now, whereas before, I used my bike” were regarded as a business expansion.

That **education** levels were a significant factor to the expansion of businesses is shown in Tab. 6.23: the higher the education levels, the lower the percentage of stated business expansions. This might be a matter of difference in definition of expansion, underlining the impression that “expansion” is defined differently according to education level. However, in the case of the rather highly educated Muslim interviewees stating that they had not been able to expand their businesses, it might also be a matter of finances/disaster shock.

Religion as variable is significant when it comes to business expansion. The Muslims were severely affected by the 2002 riots, and thus, suffered to a great

Tab. 6.21 Business expansion, according to district

Business expansion \ District	Ahmedabad (n=43)	Kutch (n=58)	Patan (n=59)	Sabar Kantha (n=40)	Total
I have expanded	81.4	81.0	94.9	35.0	76.0
I have not expanded	18.6	19.0	5.1	65.0	24.0
Total	100.0	100.0	100.0	100.0	100.0

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

Tab. 6.22 Business expansion, according to urban/rural areas and religion

Business expansion \ Urban/rural areas and religion	urban (n=132)	rural (n=68)	Hindu (n=70)	Muslim (n=127)
I have expanded	81.1	66.2	87.1	69.3
I have not expanded	18.9	33.8	12.9	30.7
Total	100.0	100.0	100.0	100.0

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

extent from the destruction of their homes, businesses and a loss of income. Whereas other social groups were more or less spared and could start to prosper and expand, Muslims needed relief in the first place and had to restart their businesses from a scratch. In the time it took to merely recover from the disaster shock, other groups, such as Hindus, could expand their businesses. Only 69.3% of Muslims, but 87.1% of Hindus had expanded their businesses (Tab. 6.22).

Tab. 6.23 Business expansion, according to education

Education Business expansion	uneducated (n=40)	primary school (n=82)	middle school (n=42)	secondary school (n=29)	higher education (college, university) (n=5)
I have expanded	82.5	85.4	69.0	48.3	80.0
I have not expanded	17.5	14.6	31.0	51.7	20.0
Total	100.0	100.0	100.0	100.0	100.0

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

6.2.5

Contributors to the business

Whereas before joining CCISB, a large majority (73.5%) of micro entrepreneurs stated that they had been the only ones contributing to their business (Tab. 6.24); after joining, a high share profited from the help of their spouses (before: 17.6%; after: 27.5%). This may be seen as a positive development because assistance from at least one more person means more work force and additional or increased incomes, profits and savings, and thus likely, an expansion of the business. However, there are some differences between the districts (Tab. 6.24). In Ahmedabad and Sabar Kantha, those working alone before joining CCISB were at 88.6% and 95.1% respectively. This could reflect the predominantly Muslim background of the interviewees in these two districts. In this context, wives are not expected to work outside of the household.

However, after joining the CCISB, the share of wives contributing to their husbands' businesses jumped to nearly 40% in Sabar Kantha (from 2.4% before) and increased remarkably, too, in Ahmedabad (20.5%) and Kutch (32.8%). The same picture emerged from the differentiation between urban and rural districts (Tab. 6.25), where the share of wives contributing to the businesses jumped from 21.4% in rural areas to 35.3%. This is a positive development, illustrating how the integration of women, their potentials, additional workforce and income can contribute towards economic sustainability.

Tab. 6.24 People contributing to the business before and after joining CCISB, according to districts

District	Before joining CCISB				After joining CCISB					
	Ahmedabad (n=44)	Kutch (n=59)	Patan (n=60)	Sabar Kantha (n=41)	Total (n=204)	Ahmedabad (n=44)	Kutch (n=58)	Patan (n=60)	Sabar Kantha (n=38)	Total (n=200)
myself	88.6	66.1	55.0	95.1	73.5	79.5	37.9	53.3	50.0	54.0
myself & my husband/wife	11.4	27.1	23.3	2.4	17.6	20.5	32.8	20.0	39.5	27.5
myself & my children	0.0	5.1	10.0	2.4	4.9	0.0	12.1	11.7	2.6	7.5
myself & my husband/wife & my children	0.0	0.0	6.7	0.0	2.0	0.0	8.6	10.0	5.3	6.5
other	0.0	1.7	5.0	0.0	2.0	0.0	8.6	5.0	2.6	4.5
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Tab. 6.25 People contributing to the business before and after joining CCISB, according to urban and rural areas

Urban/rural areas	Before joining CCISB			After joining CCISB		
	urban (n=134)	rural (n=70)	Total (n=204)	urban (n=132)	rural (n=68)	Total (n=200)
myself	77.6	65.7	73.5	59.8	42.6	54.0
myself & my husband/wife	15.7	21.4	17.6	23.5	35.3	27.5
myself & my children	5.2	4.3	4.9	8.3	5.9	7.5
myself & my husband/wife & my children	0.0	5.7	2.0	3.8	11.8	6.5
other	1.5	2.9	2.0	4.5	4.4	4.5
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source Tab. 6.24 and 6.25: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

In Patan, the share of children contributing to the businesses was the highest of all districts and even increased after the interviewed micro entrepreneurs joined CCISB (10% resp. 11.7%). In the district of Kutch, the share of children working in their parents' business more than doubled after joining CCISB – from 5.1% to 12.1%. This development is concerning and should be taken up in future development strategy. In a district like Patan, for instance, where literacy rates are particularly low, children working in their parents' micro enterprises are prevented from working for school and are forced to put a priority on earning rather than learning. Development efforts should create incentives for parents to send their children to school rather than to make them work. Experience in Brazil, for example, with government compensation to make up for the loss of income when the children go to school, shows that this is possible.

6.2.6 Peak seasons

The overall distribution of peak seasons indicated was more or less balanced (Tab. 6.26), with shares between 18.5% and 29.5% for all answer categories. Only the differentiation according to districts (Tab. 6.26), urban and rural areas (Tab. 6.27) as well as gender (Tab. 6.28) highlighted distinct patterns. In Ahmedabad, where a major business type was snack vending, 77.3% of the interviewees said there was no particular peak season for their business – snacks sell well anytime. However, some 27.3% mentioned that business peaked during festivities (Tab. 6.26). Social and religious life both of Hindus and of Muslims creates income particularly during festivals, when people like to go shopping for clothes – an important business in Ahmedabad – food and gifts.

Income generation is generally easier **in urban than in rural contexts**. In cities, people are less dependent on particular seasons than farmers in the rural areas, for instance. This is probably the reason why 46.5% of interviewees in Patan said monsoon was a good season – the rainy season in a land of scarce water resources makes the crops grow and creates income. In Patan, 65% also said that winter was a peak season. Again, this figure reflects the predominant farming sector in this district and the fact that in winter, prices for vegetables increase sharply which consequently increases the farmers' income. In Sabar Kantha, 85% and 95% of interviewees respectively, named both winter and summer as their peak seasons. Grocery shops were a main business type here, and groceries sell well both in winter and in summer – maybe less so during monsoon when people generally tend to spend less time outside due to the heavy rains. Whereas only 3.7% of urban interviewees said monsoon was a peak season, 35.7% of the interviewed micro entrepreneurs in rural areas said so (Tab. 6.27). Obviously, whereas rain is good for the farming sector, it is troublesome for mobile micro entrepreneurs who go around with their handcarts.

The **gender specific differences** in the indication of peak seasons reflect gender differences in certain business types: again here it may be seen that peak seasons of various business types differ. Whereas, for example, farmers have

a good business during monsoon and winter for reasons explained above, tire workers have their peak season during summer because in the heat of the Indian summer, more vehicles break down and need to be repaired. In contrast, the peak season of textile-related work, such as sewing, stitching or the selling of garments is during festivities, when people invest in “party dresses” and fancy outfits, or simply have the necessary fresh-up of their clothes done. The fact that 44% of the interviewed female micro entrepreneurs, as compared to just 23.3% of the business men, indicated festivities were their main season might be related to textile work being a particularly “female” business type (Tab. 6.28).

Tab. 6.26 Business peak seasons, according to districts

Business peak seasons \ District	Ahmedabad (n=44)	Kutch (n=59)	Patan (n=60)	Sabar Kantha (n=41)	Total (n=204)
no peak season	77.3	33.9	16.7	4.9	21.8
winter	0.0	23.7	65.0	85.4	29.0
summer	0.0	16.9	11.7	95.1	18.5
monsoon	0.0	3.4	46.7	0.0	9.9
festivities	27.3	55.9	23.3	9.8	20.8
% of total	21.6	28.9	29.4	20.1	100.0

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

Tab. 6.27 Business peak seasons, according to urban and rural areas

Business peak seasons \ Urban/rural areas	urban (n=134)	rural (n=70)
no peak season	45.5	7.1
winter	26.1	75.7
summer	15.7	50.0
monsoon	3.7	35.7
festivities	41.8	10.0
% of total	65.7	34.3

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

Tab. 6.28 Business peak seasons, according to gender

Business peak seasons \ Gender	female (n=75)	male (n=129)
no peak seasons	46.7	24.0
winter	22.7	55.0
summer	6.7	39.5
monsoon	10.7	17.1
festivities	44.0	23.3
% of total	36.8	63.2

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

It is crucial to adapt development strategies for micro entrepreneurs according to their business types, because different business types also have different peak seasons. This means that the periods when micro entrepreneurs have less or no income and face particular difficulties also vary. If these micro entrepreneurs are to be supported in their income generation, then it is necessary to know when exactly their businesses tend to go well, and when, with regularity, they lose income and need specific support.

6.3

CCISB membership and benefits

6.3.1

CCISB membership and information, reasons for joining it

Membership. The majority of the micro entrepreneurs interviewed joined CCISB in 2004 (37.5%) and in 2006 (22.9%, Tab. 6.29). In 2007, one observes a sharp decrease of new members, and again an increase of 16.7% in 2008. In 2007, the first internal evaluation of CCISB took place, at a time when the organization was reaching its limits and needed to redefine strategies and functional processes. The internal restructuring is reflected by a limited expansion at this time. CCISB started its work in urban areas such as Bhuj and Ahmedabad, as may be seen in Tab. 6.29 and 6.30. Whereas 56.3% of micro entrepreneurs in urban areas became members in 2004, the picture was opposite for rural areas, with 60.9% only joining CCISB in 2006. 100% of the interviewees in the district of Ahmedabad joined the Chamber of Commerce in 2004, and a cumulative 98.2% in the district of Kutch have been members either since 2004 or 2005. In contrast, 57.6% of the interviewees in rural Patan only joined in 2008, the year

the survey was conducted. It is the farmers of this rural poor and less developed district that have the greatest need of improvement, but the least time span of CCISB involvement. Therefore, efforts in the future should focus on Patan in particular: it is the district with the least involvement of women, the highest illiteracy rates, the least income and the least involvement of CCISB and other NGOs so far.

Information on CCISB. Nearly 90% of the interviewees learnt about CCISB from its “mother organization” AIDMI (87.3%, Tab. 6.31). On the one hand, this shows the close association between the two NGOs and certainly facilitates CCISB’s growth because information and the beneficiaries of both NGOs are in-

Tab. 6.29 Year of CCISB membership, according to districts

Year of membership \ District	Ahmedabad (n= 43)	Kutch (n=56)	Patan (n=54)	Sabar Kantha (n=39)	Total (n=192)
2004	100.0	51.8	0.0	0.0	37.5
2005	0.0	46.4	5.6	15.4	18.2
2006	0.0	0.0	20.4	84.6	22.9
2007	0.0	0.0	16.7	0.0	4.7
2008	0.0	1.8	57.4	0.0	16.7

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

Fig. 6.30 Year of CCISB membership, according to urban and rural areas

Year of membership \ Urban/rural areas	urban areas		rural areas	
	absolute	%	absolute	%
2004	72	56.3	0	0.0
2005	29	22.7	6	9.4
2006	5	3.9	39	60.9
2007	2	1.6	7	10.9
2008	20	15.6	12	18.8
Total	128	100.0	64	100.0

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

6. 31 Source of information on CCISB

How did you hear about CCISB?	Frequencies	
	absolute	%
from AIDMI	199	87.3
from other business people	26	11.4
from friends, family, relatives?	3	1.3
Total	228	100.0

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

terlinked. On the other hand, the question may be raised why CCISB has chosen to work in the same areas as AIDMI. The relationship between the two organizations reflects a complex and long-term relief program that consists of two steps, each of which is linked to one of the NGOs:

- In a first step, immediate and short-term relief in the aftermath of a disaster is provided by AIDMI, i.e. through its “Livelihood Relief Fund”
- In a second step, CCISB sets in and helps the disaster affected micro entrepreneurs to restart their business and to eventually expand it by long-term efforts, i.e. the Revolving Fund micro scheme that is used for investments for business purposes.

Although this two-step approach is understandable and logical, there is, in the long run, a need to further separate CCISB from AIDMI so that it can become an own, distinct NGO with an own funding account. CCISB could reconsider its approach to “use” AIDMI beneficiaries and to concentrate only on disaster affected micro entrepreneurs. The whole informal sector in India, most of which are micro enterprises, is disaster affected in the sense that the lifelong poverty characteristic of the sector is a permanent disaster. Micro entrepreneurs are in need of training, business advice and microfinance support on a large scale. By redefining its approach, CCISB could become an NGO of national outreach. Further, taking the success of SEWA into account, a clear profile may be of advantage as well.

Reasons for joining CCISB. Regardless of districts, education levels, gender or religion, the interviewees indicated in 98% of the cases that their previous bad experiences and the wish to improve their situation were the main driving force behind their desire to join the organization (Tab. 6.32). In more than 60% of the cases, the interviewees expressed that the NGO gave them security – a lack of which micro entrepreneurs of the informal sector usually suffer from.

Tab. 6.32 Reasons for joining CCISB

Why did you join CCISB?	Frequencies		
	absolute	%	% of cases
I had bad experiences before and wanted to improve my situation	199	59.6	98.0
It gives me security	125	37.4	61.6
other	10	3.0	4.9
Total	334	100.0	164.5

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

6.3.2 Advantages of CCISB

The main advantages of CCISB were said to be the organization's Revolving Fund and disaster insurance (30.6% and 30.5%, Tab. 6.33), followed by community infrastructure development (14.2%), a project started by AIDMI after the 2001 earthquake in the city of Bhuj and which was continued in various communities by CCISB. However, the fact that only 4.7% of the interviewees mentioned "business development trainings" as one of CCISB's advantages, is striking, and particularly so because CCISB considers itself a business organization supporting micro enterprises in their business development. It seems that a crucial aspect of business development – said to constitute a main focus of CCISB's – is neglected or goes unnoticed by a large majority of the organization's interviewed members. Business development trainings serve to build awareness, knowledge and economic improvement and should therefore, constitute one of the most important activities of a Chamber of Commerce aiming at an economic improvement of micro enterprises of the informal sector. For this reason, business development trainings are argued to contribute significantly to poverty alleviation (BHAT, R., pers. comm., 28th Oct. 2008). In the same line, an interest free Revolving Fund may too be seen in a controversial light, if no specific financial or business training accompanies the distribution of funds, and own savings are not a preconditioned criteria.

Nonetheless, the cross tabulation of selected CCISB advantages according to **districts** shows that in Sabar Kantha, the category of "business development trainings" had the highest share (significant 43.9%, Tab. 6.34). This might be related to the generally higher education levels among the Muslim population of this district. Higher education levels might lead a person to search for specific information that is perceived as central to one's own economic improvement. Less educated people or illiterates might not know what specific kind of information they would need to have in order to improve their situation. A striking 87.7% in

Tab. 6.33 Main advantages of CCISB

Main advantages of CCISB	Frequencies	
	absolute	%
Revolving Fund	201	30.6
disaster insurance	200	30.5
business development trainings	31	4.7
being part of a network/social stability	52	7.9
learning about DRR	56	8.5
child education	15	2.3
community infrastructure development	93	14.2
other	8	1.2
Total	656	100.0

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

Sabar Kantha considered CCISB's "community infrastructure development" a main advantage, followed by 79.5% in Ahmedabad. Both districts were heavily affected by the 2002 riots, with houses, businesses and all kinds of infrastructure burnt down and completely destroyed. Thus, infrastructure remains a major issue in these districts, and this is reflected in the figures. Until now, the riot affected Muslims of Modasa in Sabar Kantha live in Relief Camps constructed by the Islamic Relief Committee. However, the infrastructure is bad and was intended for temporary use only, as was described in Chapter 3. With poor infrastructure, obviously, all efforts towards infrastructure development are welcomed by the disaster affected population. Whereas the Islamic Relief Committee only addresses Muslims, AIDMI as well as CCISB make it a point to help the poor regardless of their religion. It has to be noted, however, that Muslim households follow the Islamic principle of giving alms or donations (so called Zakat) to the religious community. This is a certain percentage of the household income and is part the cultural-religious tradition. As such, Muslim households have both: a form of security from giving Zakat, and a right to draw on the Islamic Relief Fund in case of emergency. It is then the fact that Zakat payments were made that entitles Muslim households to receive such relief funds which sustains the Islamic Relief Fund system.

In Ahmedabad as well as in Sabar Kantha, "networks and social stability" were another main advantage interviewees named (61.4% and 36.6%, respectively). Particular in areas where man-made disasters target specific social groups, the concern for networks and social stability among the targeted population is apparent.

Tab. 6.34 Main advantages of CCISB, according to districts

District	Ahmedabad (n=44)	Kutch (n=59)	Patan (n=60)	Sabar Kantha (n=41)
Main advantages of CCISB				
Revolving Fund	97.7	100.0	96.7	100.0
disaster insurance	100.0	98.3	100.0	92.7
business development trainings	11.4	13.6	0.0	43.9
being part of a network - social stability	61.4	15.3	1.7	36.6
learning about disaster risk reduction	25.0	40.7	6.7	41.5
child education	4.5	5.1	0.0	24.4
community infrastructure development	79.5	27.1	10.0	87.8
other	0.0	1.7	1.7	14.6
% of total	21.6	28.9	29.4	20.1

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

6.3.3 Disadvantages of CCISB

In analogy to the question what the main advantages of CCISB were, reference is made here to the main disadvantages. Interestingly, in both cases the organization's Revolving Fund and disaster insurance emerged as the top two from the perspective of the interviewees. Either the amounts of the Revolving Fund were considered too small (30.1%), or the insurance fee was thought to be too high (27.2%, Tab. 6.35). Some interviewees complained that CCISB did not provide help with school fees (25.7%). Whereas the latter point is understandable, it is surprising that the insurance fee that only costs 450 Rs a year, covering 19 different disasters and damage of up to 95 000 Rs is considered too high. Also, it is interesting to see that the Revolving Fund amounts that are free of interest and where neither own savings, nor matching funds are a precondition, are criticized as being too small. Here, a process of education of CCISB members must take place: there is a need for greater understanding of the benefits of insurance and the concept of saving and budgeting carefully. As this educational aspect is currently not pushed, many people do not seem to value what they get (perhaps also because it did not cost them a lot of own effort).

According to district, there are significant differences concerning the disadvantages. 65% in Patan, a rural area with lack of basic infrastructure and transportation, and 41% of interviewees from Sabar Kantha, living in Relief Camps, said they needed help accessing business materials, whereas only 5% in Bhuj, and nobody in Ahmedabad felt this was necessary (Tab. 6.36). With respect to school

Tab. 6.35 Disadvantages of CCISB

Disadvantages of CCISB	Frequencies	
	absolute	%
amounts of Revolving Fund too small	41	30.1
disaster insurance fee too high	37	27.2
help would be needed with accessing business materials	17	12.5
help would be needed with school fees	35	25.7
other	6	4.4
Total	136	100.0

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

Tab. 6.36 Disadvantages of CCISB, according to districts

Disadvantages of CCISB	District			
	Ahmedabad (n=44)	Kutch (n=59)	Patan (n=20)	Sabar Kantha (n=41)
amounts of Revolving Fund too small	13.6	62.7	30.0	100.0
disaster insurance fee too high	95.5	88.1	0.0	90.2
help would be needed with accessing business materials	0.0	5.1	65.0	41.5
help would be needed with school fees	11.4	30.5	10.0	85.4
other	0.0	3.4	0.0	14.6
% of total	26.8	36.0	12.2	25.0

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

fees, the share of those regarding the lack of support here as a disadvantage was rather low in Ahmedabad and Patan (10-11%), but extremely high in Sabar Kantha, where the share was at 85.4%. The higher the education levels, the more a lack of support in this area is perceived as a major disadvantage.

The cross tabulation according to **urban and rural areas** highlights significant differences that mirror geographic location and socio-economic patterns (Tab. 6.37). Whereas nearly 45% in urban areas considered the Revolving Fund amounts too small, the share was almost twice as high in rural areas (nearly 80%). This might reflect the actual lack of means in rural areas, but especially the different handling of finances in rural and urban areas. As will be shown later, gen-

Tab. 6.37 Disadvantages of CCISB, according to urban and rural areas

Urban/rural areas	urban (n=116)	rural (n=48)
Disadvantages of CCISB		
amounts of the Revolving Fund too small	44.8	79.2
disaster insurance fee too high	86.2	64.6
help would be needed with accessing business materials	6.0	54.2
help would be needed with school fees	25.0	64.6
other	2.6	10.4
% of total	70.7	29.3

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

Tab. 6.38 Disadvantages of CCISB, according to gender

Gender	female (n=71)	male (n=93)
Disadvantages of CCISB		
amounts of Revolving Fund too small	42.3	64.5
disaster insurance fee too high	88.7	73.1
help would be needed with accessing business materials	8.5	29.0
help would be needed with school fees	23.9	46.2
other	2.8	6.5
% of total	43.3	56.7

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

erally, social expenses in rural areas are higher, yet earnings are much smaller. The need to educate people regarding the frugal handling of scarce finances is particularly strong in rural areas.

Gender was a significant factor with respect to the perception of disadvantages (Tab. 6.38). More interviewed men than women found that Revolving Fund amounts were too small. This indicates that men might have a different perception of money handling and financial needs than women. This is a gender specific pattern that has been recognized by the Indian Government, and is also the main reason why governmental microfinance schemes in India mostly aim at women (SHEVDE, U.S., pers. comm., Oct. 8th, 2008). Less women than men thought

Tab. 6.39 Disadvantages of CCISB, according to education

Disadvantages of CCISB \ Education	uneducated (n=36)	primary school (n=69)	middle school (n=30)	secondary school (n=26)	higher education (college, university) (n=2)
Revolving Fund amounts too small	44.4	40.6	66.7	92.3	100.0
disaster insurance fee too high	91.7	72.5	73.3	92.3	50.0
help needed with accessing business materials	5.6	13.0	36.7	38.5	50.0
help needed with school fees	16.7	29.0	33.3	84.6	100.0
other	0.0	4.3	10.0	7.7	0.0
% of total	22.1	42.3	18.4	16.0	1.2

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

the disaster insurance fee was too high, which again indicates a gender specific perception of benefits and value for money. When women have the capacity to take financial decisions in a household, the handling of finances will differ and is likely to be more careful. This underlines again the necessity to enable and empower women, so as to support development processes where women can be agents of change.

Levels of education also have an effect on the choice of CCISB's disadvantages. The higher the education level, the higher also the percentage of those mentioning lack of support with school fees a problem (16.7% among the illiterate versus 84.6% among those who had finished middle school, Tab. 6.39). The same pattern could be observed for other disadvantages.

6.3.4

Relationship with other CCISB members

In general, a slight majority of the interviewees (55.4%) indicated their relationship with other micro entrepreneurs who were CCISB members had not changed (Tab. 6.40). However, some sharp differences between the districts could be observed: in Ahmedabad and Kutch, the two districts where CCISB has been active longest, and where consequently, members have been associated with the organization for a longer period of time, 93.2% and 71%, respectively, stated their relationship with other members had intensified and was better than before. In contrast, 90% of the interviewed micro entrepreneurs in Patan said their relationship with others had not changed at all. This reflects not only the short time

Tab. 6.40 Relationship with other CCISB, according to districts

Relationship with other CCISB members \ District	Ahmedabad (n=44)	Kutch (n=59)	Patan (n=60)	Sabar Kantha (n=41)
same as before	6.8	28.8	90.0	95.1
better than before	93.2	71.2	8.3	4.9
% of total	21.6	28.9	29.4	20.1

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

Tab. 6.41 Relationship with other CCISB members, according to gender

Relationship with other CCISB members \ Gender	female (n=75)	male (n=129)
same as before	32.0	69.0
better than before	68.0	30.2
% of total	36.8	63.2

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

of membership but the greater distances in rural areas between neighbors and fellow members.

Gender specific differences as to changes in the intensity of relationships between CCISB members is of interest (Tab. 6.41). More than twice as many women than men stated their relationship with others had improved (68% versus 30.2%). These figures illustrate that business women integrate social relationships into their business strategies to a greater extent than men. It seems that women's social networks, particularly in a male dominated society, are a particular strength, and can eventually lead to social and economical empowerment, as the example of SEWA demonstrates.

The lower the **education** levels, the higher the share of those stating their relationship with fellow CCISB members had improved (Tab. 6.42): this accounts for 62.5% of the illiterate, but only 3.4% of the interviewees who had finished middle school. This exemplifies the concept of social capital. Poor, uneducated people do not have the power of money, but the power of relationship – and they use it.

Tab. 6.42 Relationship with other CCISB members, according to education

Relationship with other CCISB members \ Education	uneducated (n=40)	primary school (n=85)	middle school (n=43)	secondary school (n=29)	higher education (college, university) (n=5)
same as before	37.5	37.6	76.7	96.6	80.0
better than before	62.5	61.2	23.3	3.4	20.0
% of total	19.8	42.1	21.3	14.4	2.5

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

7 Management of sales, purchases, income, credit/loans, investments and savings

“Poor people do not have the power of money, but they have the power of relationship.” (MEHUL PANDIYA)

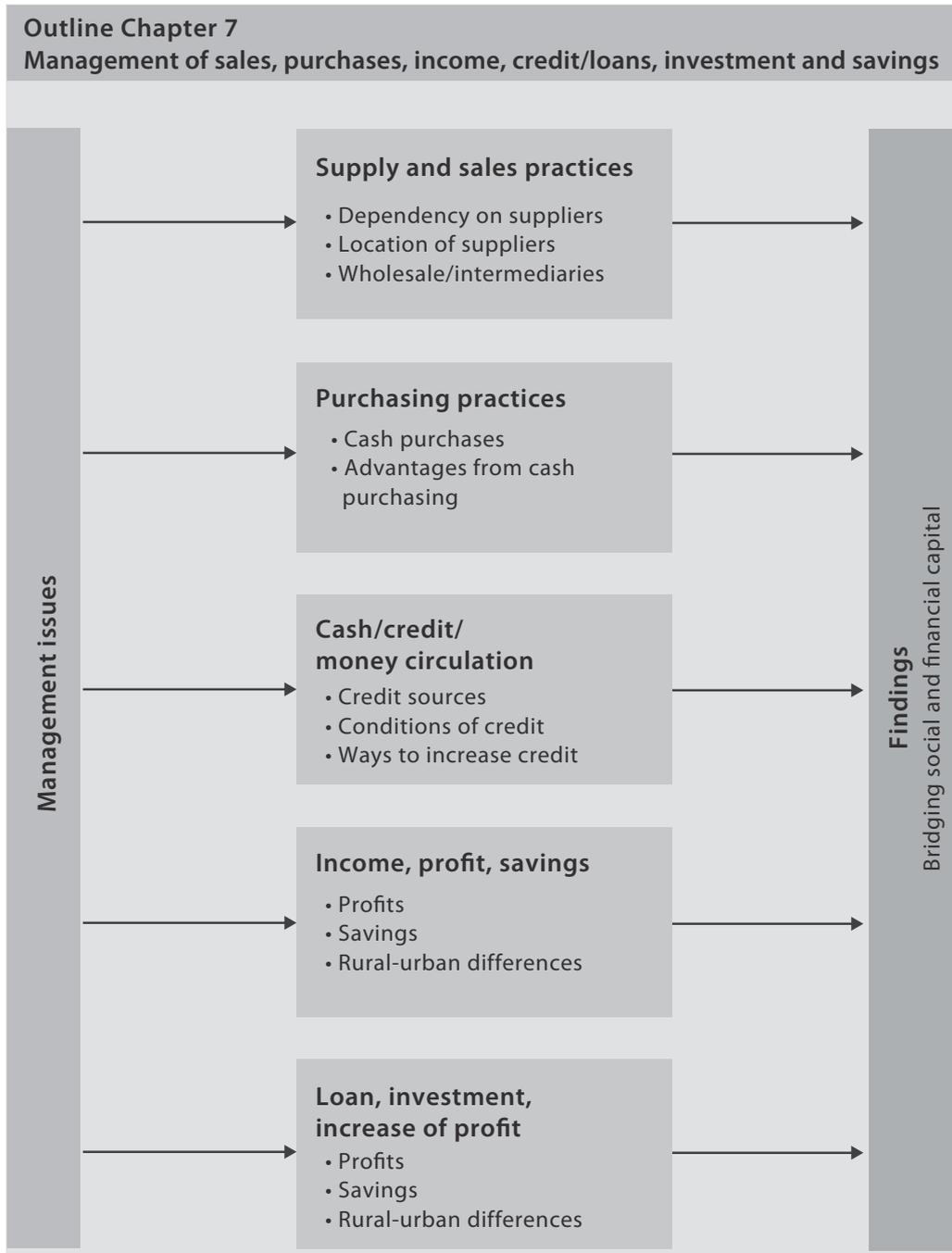


Fig. 7.1 Outline Chapter 7. Source: Author’s design

In order to further explore the potential of the micro enterprise sector in India, the discussion turns here to an analysis of the challenges faced by micro entrepreneurs concerning their management of sales, purchases, income, credits/loans, investments and savings. Supply chains are important for two reasons – first and obviously, they are part of the operative management. Organization, quality and price structure are a pivotal element in business success. Second, supply chains constitute part of the social network of a micro enterprise and its social capital, which again can be turned into financial capital. As was outlined (see Chap. 2), the concept of social capital refers to actual and potential resources linked to the possession of durable relationships. The concept integrates both a social aspect of trust and relationship, and an economic impact. To micro entrepreneurs facing challenges such as financial constraints and lack of access to credit, long-term investments in this kind of social capital are part of their business strategy. This is why within the framework of the survey, micro entrepreneurs were asked about their supply chains and reasons for choices about suppliers, locations and particular purchasing practices; sources of credit and loans and reasons for choices made here; details regarding income and daily profits and reasons for loans and main investment areas.

To support the interpretation of data, the chapter describes general local trends with reference to supply systems, credit and loan systems and income levels. Conclusions drawn after an analysis of survey answers according to district, gender, education and religion emphasize the impact microfinance schemes can have on saving practices and indicate that there is much potential for improvement both with respect to awareness raising and in connection with prevailing supply and sales structures in rural areas.

The chapter is thus structured as follows:

How do micro enterprises manage their businesses?

- Supply, sales and purchasing practices
- Handling of cash/credit/money circulation
- Income, profits and savings
- Loans, investments and increases of profit.

7.1 Supply and sales practices

The following chapter analyzes supply and sales practices of the interviewed micro entrepreneurs in Gujarat.

7.1.1 Supply chains

Supply chains are a central part of the survey due to their enormous impact on the degree of self-reliance and vulnerability of micro entrepreneurs, and because they are part of the social network and social capital which may be transformed into financial capital.

Primary producers in India depend on middle men for credit, for timely purchase and for distribution of the goods to the consumer. They are very vulnerable as the products are perishable and can often not be stored. If farmers cannot afford to transport their products, they often feed them to their cattle. In this light, efforts undertaken by NGOs, such as SEWA, to support women in building up independent supply chains and self-market agro-products have acknowledged this and the role of social capital both as a status and as a capacity. Recently, communication using mobile phones has helped farmers to inform themselves better about the best markets for buying and selling (BHAT, R., pers. comm. on evaluating research results, July 12, 2009). However, these initiatives are but first steps and should be extended in line with social capital theory.

Box 7.1 summarizes a common supply chain in India. An example is given to show why the analyses of supply chains and sales practices assessed in this survey were of such importance.

The common supply chain in India is from 1) a farmer to 2) a wholesaler or cooperative structure, such as the Agricultural Produce Marketing Committee to 3) retailers/hawkers/vendors and ultimately to 4) the consumer.

The price difference at which a primary producer sells and the price at which the consumer buys can be exemplified by the green gourd-vegetable: the farmer sells one *mond* of green gourd (one *mond* is an Indian measure of weight equivalent to 20 kg) for 20 Rs. The final customer pays 20 Rs for 1 kg of green gourd the same day. This means the price difference between the source and the end user is a factor 10. Most of the profit margin is usurped by the middlemen who pocket the major share.

Source: BHAT, R., pers. comm. on evaluating research results, July 12, 2009

Box 7.1 Common supply chains and respective price variations in India

7.1.2 Dependency on one supplier

A large majority of micro entrepreneurs, regardless of gender, religion or education, used to purchase from one supplier only before joining CCISB (58.4%, Tab. 7.1). Thus, they had not made use of their potential social capital or their capacity to build up useful networks. The exact opposite was the case after they became CCISB members and after their economic situation had improved: now, 59.7% purchased from several suppliers, thus lowering their costs and decreasing their vulnerability. If the only supplier of a micro entrepreneur cannot deliver, then the entire unidimensional supply chain breaks down, with severe consequences for the micro entrepreneur depending on it. Having several suppliers means spreading the risk and lowering its possible impact. In terms of social capital theory, the social and business network, then, is itself a form of security that serves as a safety net. In order to have a choice of suppliers, however, cash is necessary; dependency on credit limits entrepreneurs to those suppliers willing to give credit.

District specific differences emerged regarding the number of suppliers micro entrepreneurs reported having (Tab. 7.1): before CCISB membership, Kutch had the highest share of micro entrepreneurs purchasing from one supplier only (77.4%). This changed completely after CCISB membership, with Kutch now having the highest percentage of micro entrepreneurs purchasing from several suppliers (88.7%). In Sabar Kantha, the situation did not change much before and after membership with around 70% of the interviewees relying on several suppliers. Similarly, in the rural and predominantly agricultural district of Patan, the share of micro entrepreneurs using only one supplier remained more or less constant (60% to 61.7%). In Kutch, with a particularly business-minded population involved in handicraft and trade, the chances offered by gaining access to several suppliers was quickly grasped, to the benefit of the micro entrepreneurs. Furthermore, Kutch “has been put on Gujarat’s economic map” (BHAT, R., pers. comm. on evaluating research results, Aug. 17, 2009). However, this diversification could only take place when cash flow improved and people could afford to choose from several suppliers. In contrast, cash flow in Patan is much slower and villages are particularly remote, making it difficult for micro entrepreneurs to diversify their supply chain. In other words, in order to build up social capital which may be transformed into financial capital, financial capital itself is necessary, and in order to fully utilize one’s social capital, initial start-up capital and management skills are necessary.

The differentiation of supplier(s) according to urban and rural areas highlighted distinct differences (Tab. 7.2). In urban areas, a complete turnaround in supply patterns could be observed: whereas before membership, 64.5% had relied on just one supplier, after membership 65.1% had several suppliers. In rural areas, supply structures remained literally unchanged, with 45.7% before membership, and even 48.6% after membership, still only having one supplier. It is especially in rural areas, where access, infrastructure, transportation, supply and sales chains are limited, that further effort should be made to decrease

Tab. 7.1 Suppliers, according to districts

District Supplier(s)	Before joining CCISB				After joining CCISB					
	Ahmedabad (n=43)	Kutch (n=53)	Patan (n=60)	Sabar Kantha (n=41)	Total (n=197)	Ahmedabad (n=42)	Kutch (n=53)	Patan (n=60)	Sabar Kantha (n=41)	Total (n=196)
one supplier	60.5	77.4	60.0	29.3	58.4	57.1	9.4	61.7	26.8	39.3
several suppliers	39.5	20.8	40.0	70.7	41.1	42.9	88.7	38.3	70.7	59.7
n.a.	0.0	1.9	0.0	0.0	0.5	0.0	1.9	0.0	2.4	1.0
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Tab. 7.2 Suppliers, according to urban and rural areas

Urban/rural areas Supplier(s)	Before joining CCISB		After joining CCISB	
	urban (n=127)	rural (n=70)	urban (n=126)	rural (n=70)
one supplier	65.4	45.7	34.1	48.6
several suppliers	33.9	54.3	65.1	50.0
n.a.	0.8	0.0	0.8	1.4
Total	100.0	100.0	100.0	100.0

Tab. 7.3 Reasons for purchasing from one supplier now

If you now purchase from one supplier, why?	Frequencies		% of cases
	absolute	%	
he has everything	54	12.1	35.1
he is nearby	72	16.1	46.8
he is cheap	59	13.2	38.3
he is reliable	78	17.4	50.6
he is regular	33	7.4	21.4
he gives me credit, if I had money, I'd go elsewhere	32	7.1	20.8
I have a good relationship with him	98	21.9	63.6
he has a long-term commitment	19	4.2	12.3
other	3	0.7	1.9
Total	448	100.0	290.9

Source Tab. 7.1-7.3: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

the degree of dependency of a great number of micro entrepreneurs on one supplier. As the example above of the difference in selling and buying price of the green gourd-vegetable shows, it is this dependency on unidimensional supply and sales chains that make the micro entrepreneurs of the rural areas particularly vulnerable: their lack of choice in buying supplies and selling goods means that they generally end up paying more than the average and a receiving less for their goods. Intensified efforts in the rural sector are crucial to increase the self-reliance of these micro entrepreneurs. NGOs, like CCISB, should make it a priority to promote better supply and sales chains for rural micro entrepreneurs.

7.1.3

Reasons for purchasing from one supplier

After assessing supplier numbers, the survey turned to reasons for staying with one supplier, if this was the case. The set of reasons given for this choice shows three “peaks”: the main reason was that the micro entrepreneur’s relationship with the supplier was good (21.9%, Tab. 7.3), followed by “he is reliable” (17.4%), and “he is nearby” (16.1%). The first two responses underline the arguments related to the importance of social networks and social capital as determinant of life, including business life, in India. Social capital is all the more important the weaker the financial means and this certainly is the case among poor micro entrepreneurs of the unorganized sector in India. The latter response indicates the problem of costly transportation and long distances that physically limit the micro entrepreneurs’ choices of supply.

Micro entrepreneurs of **urban and rural areas** gave different answers as to why they remained with one supplier. Whereas just 22% of the urban interviewees stated their supplier had everything, nearly 60% of the rural micro entrepreneurs said so (Tab. 7.4). The response of the rural interviewees might reflect their lack of opportunity to check out supply possibilities elsewhere due to distances between places, costly transportation and low demand. By contrast, urban interviewees are likely to be exposed to more competition between suppliers. Whereas “closeness” was a major criterion for urban interviewees (52%), only 37% of the rural micro entrepreneurs felt this was relevant. Similarly, whereas 48% of urban interviewees argued “the supplier is cheap”, only 20.4% of the rural interviewees felt this was the case with their supplier choice. These responses highlight the lack of options faced by rural business people.

Differentiation of responses according to gender exemplifies that **reasons for supplier choice are also gender specific** (Tab. 7.5). Whereas 17.2% of female interviewees thought their supplier had everything, 47.8% of the male respondents felt this was the case. On the other hand, a large majority of interviewed women chose to stay with one supplier because he was cheap (51.6% versus 28.9% of male responses). This could reflect a specific “shopping rationale-behavior” on behalf of the women. Although very few women thought their supplier had everything – which suggests that women are more critical as to as-

Tab. 7.4 Reasons for purchasing from one supplier now, according to urban and rural areas

If you now purchase from one supplier, why?	Urban/rural areas	urban (n=100)	rural (n=54)
he has everything		22.0	59.3
he is nearby		52.0	37.0
he is cheap		48.0	20.4
he is reliable		54.0	44.4
he is regular		19.0	25.9
he gives me credit - if I had money, I would go elsewhere		26.0	11.1
I have a good relationship with him		60.0	70.4
he has a long-term commitment		15.0	7.4
other		1.0	3.7
Total		64.9	35.1

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

Tab. 7.5 Reasons for purchasing from one supplier now, according to gender

If you now purchase from one supplier, why?	Gender	female (n=64)	male (n=90)
he has everything		17.2	47.8
he is nearby		64.1	34.4
he is cheap		51.6	28.9
he is reliable		57.8	45.6
he is regular		25.0	18.9
he gives me credit		21.9	20.0
I have a good relationship with him		68.8	60.0
he has a long-term commitment		14.1	11.1
other		1.6	2.2
% of total		41.6	58.4

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

sortments – they stayed with him for a good reason: he was cheap. This, again, supports the notion of a more frugal or at least more thoughtful use of money on the part of businesswomen, as compared to men.

Another gender specific rationale in the choice of a supplier is related to distance. The share of females indicating they stayed with one supplier because he was nearby was nearly twice as high as the male share (64.1% versus 34.4%). Considering that business women in India are also mothers and housewives, this aspect clearly reflects their multiple responsibilities and limited time budgets.

7.1.4 Supply and sales location

Since micro entrepreneurs cannot afford the cost of travelling, and transportation is time-consuming, they mostly rely on local suppliers and sell their products locally, too (Tab. 7.6 and 7.7). 100% of interviewees in Ahmedabad had their supply within the city, and 98.1% of interviewees from Kutch relied on suppliers from Bhuj, where the survey was carried out. In Modasa, only 56.1% had their supplier in the same city, the majority of the rest buying in Himmatnagar, the capital of Sabar Kantha. In analogy to the supply structure, the sales took place within the nearby surroundings, too: either directly within the city or village, or “in surrounding villages”. In Patan, the share of those selling either within their village or in surrounding villages was at a cumulative 25.9%, with 86.2% also selling their products on markets in Radhanpur, Patan (Tab. 7.7).

Tab. 7.6 Location of supplier, according to districts

District Location of supplier	Ahmedabad (n=43)	Kutch (n=53)	Patan (n=60)	Sabar Kantha (n=41)	%
Ahmedabad	100.0	1.9	15.0	7.3	26.3
Bhuj	0.0	98.1	0.0	0.0	24.4
Radhanpur	0.0	0.0	86.7	0.0	24.4
Modasa	0.0	0.0	0.0	56.1	10.8
Santalpur	0.0	0.0	6.7	0.0	1.9
other	0.0	0.0	13.3	43.9	12.2
% of total	21.8	26.9	30.5	20.8	100.0

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

Tab. 7.7 Location of sales, according to districts

Sales location	District	Ahmedabad (n=44)	Kutch (n=54)	Patan (n=58)	Sabar Kantha (n=41)	%
Ahmedabad		100.0	0.0	0.0	0.0	19.0
Bhuj		0.0	100.0	0.0	0.0	23.3
Radhanpur		0.0	0.0	86.2	0.0	21.6
Modhasa		0.0	0.0	0.0	17.1	3.0
Santalpur		0.0	0.0	12.1	0.0	3.0
in surrounding villages		0.0	13.0	20.7	43.9	15.9
in the village		0.0	0.0	5.2	36.6	7.8
other		2.3	0.0	13.8	14.6	6.4
% of total		22.3	27.4	29.4	20.8	100.0

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

7.1.5

Purchasing from wholesalers or intermediaries

Although already before joining CCISB, a large majority of interviewees purchased from wholesalers (75.1% Tab. 7.8), the overall rate increased to 88.3% after joining, and less micro entrepreneurs went to intermediaries who are more expensive (5.4% as compared to 20.3% before). Kutch, which showed the lowest rates of wholesale-purchasing before (66%), was the district with the highest increase of wholesale-purchasing after the micro entrepreneurs became members. CCISB has been involved in this district for a comparatively long time, and the effects thereof are beginning to show. The high overall rate of micro entrepreneurs interviewed who purchase from wholesalers is a positive sign. It indicates that a large share of micro entrepreneurs associated with CCISB could lower their supply costs by increasing their social capital, that is, their suppliers' network. For purchasing from a wholesaler, a micro entrepreneur must have enough cash to purchase higher quantities, and microfinance schemes that can be used for "working capital" – like the organization's Revolving Fund – are a starting point.

Conclusion. The analysis of the responses reflects the high degree of dependency of the micro entrepreneurs on local structures that they are unable to influence or avoid: they have no choice but to go to local suppliers, even if they know

Tab. 7.8 Supplier, according to districts

District Purchasing from whom?	Before joining CCISB					After joining CCISB				
	Ahmedabad (n=43)	Kutch (n=50)	Patan (n=60)	Sabar Kantha (n=41)	Total (n=194)	Ahmedabad (n=43)	Kutch (n=50)	Patan (n=59)	Sabar Kantha (n=40)	Total (n=192)
wholesaler	97.7	66.0	96.7	73.2	75.1	97.7	88.0	98.3	92.5	88.3
intermediary	2.3	46.0	3.3	43.9	20.3	0.0	18.0	1.7	2.5	5.4
self-production	0.0	4.0	3.3	7.3	3.2	0.0	10.0	1.7	10.0	4.9
other	0.0	0.0	1.7	4.9	1.4	2.3	0.0	0.0	5.0	1.4
% of total	22.2	25.8	30.9	21.1	100.0	22.4	26.0	30.7	20.8	100.0

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

that elsewhere they would find better conditions. The same is true for sales: the majority can only sell their products locally, even if they are well aware of the fact that in other areas or cities, they could sell at a much higher price. It is obvious that farmers, if they had the possibility of selling their vegetables in urban areas instead of giving it away to local wholesalers, would increase their income dramatically – but they do not have these options. Efforts of NGOs – SEWA has set here a good example – must therefore focus (more) on local supply structures and on building up own supply and sales chains for the micro entrepreneurs as well as social and business networks. This, then, very much supports the notions of both social capital and rational choice theories: social capital in the form of more extended supply chains may be a real advantage. However, in their absence, micro entrepreneurs choose the most rational alternative – the local supplier, who may be by far the most suboptimal choice. The major share of costs of micro entrepreneurs is defined by their supply, as are their incomes by where they sell. They know where they should sell or buy from, but they need to have this choice which could be provided by an NGO like CCISB. Thus, programs targeting microfinance need to take prevailing supply and sales structures into account if an overall improvement is to be ensured.

7.2 Purchasing practices

7.2.1 Cash purchases

As was identified above, developing one's social capital for business development in the form of building up a more varied structure of suppliers, in particular wholesale suppliers requires cash. Purchasing in cash can increase bargaining position and client attractiveness, possibly allowing the purchaser to define the price. With credit purchases it is the lender who fixes the prices, thus causing to some degree dependency. The focus on cash purchases in the micro enterprise sector in India, then, is quite different from the practice in Western economies, where most of the transactions are done on credit and entrepreneurs would not want to invest their own savings or capital.

A majority of the interviewed micro entrepreneurs purchased their material both in cash and on credit, regardless of CCISB membership (68.4% resp. 61.2%, Tab. 7.9). However, after joining the organization, the share of those purchasing *just* in cash more than doubled from 15.3% to 36.7%. At the same time, the percentage of those purchasing on credit only decreased significantly from 16.3% to 2%. This indicates a remarkable positive development. Micro entrepreneurs who became CCISB members clearly benefitted from the microfinance schemes of the organization, such as the Revolving Fund. It seems that CCISB was the

initial trigger for further positive business development by first teaching about the possibilities of wholesalers' supply chains, and what it needs to build up this capacity, and second, by creating an awareness for building up own financial means to make the initial investments. By purchasing in cash instead of taking credit, these entrepreneurs save interest and thus, also increase their personal profit. If the profits are saved, they can be re-invested in the business, increasing purchasing bulk and a positive cycle of business development begins.

As to purchasing practices, however, there were noteworthy differences **between districts** (Tab. 7.9) and **between urban and rural areas** (Tab. 7.10), even after the micro entrepreneurs had joined the Chamber of Commerce. The share of micro entrepreneurs in rural areas purchasing *just* in cash remained lower than those in urban areas, although with CCISB membership, the shares increased (before joining CCISB: 2.9% versus 22.2%, after: 27.1% versus 42.1%, Tab. 7.10). Together with the district of Patan, the district of Kutch showed the highest percentage of micro entrepreneurs purchasing on credit only (before joining CCISB: 25.5% and 20% respectively). After membership, the percentage of those purchasing just in cash increased remarkably in both districts. However, a large majority in these two districts continued to purchase both in cash and on credit (71.2% and 56.7%, respectively). In Sabar Kantha, where the riot victims continue to live in Relief Camps, more than 90% of the interviewees purchased in cash and on credit even after joining CCISB.

There are several explanations for these patterns:

- Cash is scarce in rural areas, income often seasonal and low, and credit therefore a determinant of the handling of finances in rural areas such as Patan. Even so, more rural micro entrepreneurs did start purchasing in cash after becoming CCISB members (from 2.9% to 27.1%)
- Urban areas offer more choice of suppliers than remote areas, and thus greater probability of finding cheap supplies. The opportunity to buy cheaply might encourage micro entrepreneurs to purchase in cash, which is why the relative number of urban interviewees purchasing in cash remains higher than in rural areas.
- Kutch is the district known within Gujarat for its particular entrepreneurial spirit, which is related to its long coastline and traditional trade structures. In a demand-supply scenario with a fast moving economy, quick investments are made; cash flow is smooth and timely supply of cash crucial, irrespective of terms. This is why micro entrepreneurs in Kutch continue to purchase also on credit, even after being facilitated by NGOs (BHAT, R., pers. comm. on evaluating research results, Aug. 17, 2009).
- In Sabar Kantha, the riot victims have still not fully recovered from the losses they experienced in 2002. However, after joining CCISB, the interviewed micro entrepreneurs in this district could purchase a major share of their goods in cash (75.6% purchase up to 75% in cash), although they still make use of credit (Tab. 7.13).

Tab. 7.9 Purchasing practices, according to districts

District Purchasing practices	Before joining CCISB					After joining CCISB				
	Ahmedabad (n=44)	Kutch (n=51)	Patan (n=60)	Sabar Kantha (n=41)	Total (n=196)	Ahmedabad (n=43)	Kutch (n=52)	Patan (n=60)	Sabar Kantha (n=41)	Total (n=196)
cash	47.7	5.9	5.0	7.3	15.3	67.4	28.8	40.0	9.8	36.7
credit	11.4	25.5	20.0	4.9	16.3	4.7	0.0	3.3	0.0	2.0
both	40.9	68.6	75.0	87.8	68.4	27.9	71.2	56.7	90.2	61.2
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

Tab. 7.10 Purchasing practices, according to urban and rural areas

Purchasing practices	Urban/rural areas			Before joining CCISB			After joining CCISB		
	urban (n=126)	rural (n=70)	Total (n=196)	urban (n=126)	rural (n=70)	Total (n=196)	urban (n=126)	rural (n=70)	Total (n=196)
cash	22.2	2.9	15.3	42.1	27.1	36.7	42.1	27.1	36.7
credit	20.6	8.6	16.3	2.4	1.4	2.0	2.4	1.4	2.0
both	57.1	88.6	68.4	55.6	71.4	61.2	55.6	71.4	61.2
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

Tab. 7.11 Purchasing practices, according to gender

Purchasing practices	Gender		Before joining CCISB			After joining CCISB		
	female (n=74)	male (n=122)	female (n=74)	male (n=122)	Total (n=196)	female (n=74)	male (n=122)	Total (n=196)
cash	24.3	9.8	47.3	30.3	15.3	47.3	30.3	36.7
credit	17.6	15.6	1.4	2.5	16.3	1.4	2.5	2.0
both	58.1	74.6	51.4	67.2	68.4	51.4	67.2	61.2
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

Tab. 7.12 Purchasing practices now, according to saving practices now

Purchasing practices now	Saving practices now			Total
	saving (n=189)	not saving (n=7)	Total	
cash	37.6	14.3	36.7	
credit	1.6	14.3	2.0	
both	60.8	71.4	61.2	
Total	100.0	100.0	100.0	

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

The sexes show opposing purchasing practices (Tab. 7.11), and distinct differences between them remain even with CCISB membership. Whereas before membership, 24.3% of female, but only 9.8% of male micro entrepreneurs appear to have purchased their material in cash, the difference remains great even after joining the organization: 47.3% of female interviewees – nearly every second woman – began to purchase in cash, but only 30.3% of male interviewees. Again, this supports the notion that women try to avoid being indebted when this is possible, and that they use scarce resources more carefully, rather purchasing in cash than on credit. This implies that when financial capital is at hand, the need to build up social capital that could eventually translate into financial capital is lower, the freedom of choice is greater and the dependence on personal relationships less dominant, allowing a general shift in the handling of finances to the benefit of the business.

Changes in savings and purchasing practices were significant after the micro entrepreneurs became CCISB members: 37.6% of those who were now saving could afford to purchase their material just in cash, as compared to only 14.3% of those who were not saving (Tab. 7.12). This underlines the importance of savings as a trigger of economic development: with savings, material can be purchased in cash; interest rates are avoided; and profits increase that can be re-invested. The starting point is the careful handling of own resources with long-term investment in mind. With respect to social capital theory, this underlines that in order to make full use of the potentials of social networks for business development, that is develop social capital that effectively translates into financial capital, the capacity for relying on one's own resources should be improved.

7.2.2

Share of cash purchases

Whereas before becoming associated with CCISB, 15.4% of the interviewed micro entrepreneurs stated they purchased nothing in cash, but everything on credit (Tab. 7.13), the percentage decreased sharply to just 1% who still said so after having become a CCISB beneficiary. A majority of CCISB members stated they purchased 75% of their goods in cash now (43.5%), and nearly a third could even purchase everything in cash now (32.6%). These developments illustrate an overall improvement of the economic situation of micro entrepreneurs who became CCISB members, and the organization, mostly due to its microfinance and insurance scheme, clearly initiates such an improvement which is based on the fact that joining a business organization can become a very important first step in building up social networks for business improvements.

The detailed analyses of how much was purchased in cash according to **districts** underlines that differences already apparent before membership remain **after** CCISB membership. However, an overall shift towards more cash purchasing may be seen in all districts: from 50% to 75% or even 100% of the goods. This was very clear in the case of Sabar Kantha: whereas before, 82.9%

Tab. 7.13 Share of cash purchases, according to districts

District Purchasing how much in cash	Before joining CCISB					After joining CCISB				
	Ahmedabad (n=43)	Kutch (n=51)	Patan (n=60)	Sabar Kantha (n=41)	Total (n=195)	Ahmedabad (n=41)	Kutch (n=52)	Patan (n=59)	Sabar Kantha (n=41)	Total (n=193)
nothing	9.3	25.5	18.3	4.9	15.4	2.4	0.0	1.7	0.0	1.0
up to 25% of goods	37.2	41.2	11.7	4.9	23.6	0.0	1.9	0.0	0.0	0.5
up to 50% of goods	7.0	27.5	58.3	82.9	44.1	24.4	34.6	13.6	14.6	21.8
up to 75% of goods	0.0	0.0	3.3	0.0	1.0	4.9	28.8	61.0	75.6	43.5
everything	46.5	5.9	5.0	7.3	14.9	68.3	34.6	22.0	9.8	32.6
n.a.	0.0	0.0	3.3	0.0	1.0	0.0	0.0	1.0	0.0	1.0
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SUIWA

had purchased up to 50% of their goods in cash, the large majority of interviewees from this district now purchased up to 75% of their goods in cash (75.6%). This indicates a positive long-term development.

Similar trends may be observed according to **gender**: even before becoming CCISB members, a significantly higher share of female micro entrepreneurs purchased everything in cash (24.7% of female versus 9% of male interviewees, Tab. 7.14). This gender gap remained with CCISB membership: 47.2% of female, but just half as many male CCISB members (24%) stated to purchase everything in cash. These figures illustrate both to what extent women and men handle finances differently and how they activate their social capital capacities differently. Although before joining CCISB, a higher share of women than men had to purchase on credit (16.4% as compared to 14.8% of the male interviewees), as soon as the women had joined, they improved their means and would concentrate on purchasing everything in cash. This shift was not as apparent among men. This gender specific handling of finances, the clear view on the potentials offered by different networks of suppliers and the different underlying business strategies should be taken into account in all development efforts. If women tend to purchase more and faster in cash, their economic self-reliance will, as a consequence, develop faster, too. This would imply that at the scale of individual households and micro enterprises, women would be able to help improve a whole family's economic situation. NGOs, such as CCISB, could profit from this by helping to strengthen the role of women in matters of finance at the individual household level and by focusing on teaching women how to activate their social networking skills to the benefit of their businesses.

Tab. 7.14 Share of cash purchases, according to gender

Purchasing how much in cash	Gender	Before joining CCISB		After joining CCISB	
		female (n=73)	male (n=122)	female (n=72)	male (n=121)
nothing		16.4	14.8	0.0	1.7
up to 25% of goods		32.9	18.0	0.0	0.8
up to 50% of goods		26.0	54.9	27.8	18.2
up to 75% of goods		0.0	1.3	25.0	54.5
everything		24.7	9.0	47.2	24.0
n.a.		0.0	2.0	0.0	0.8
Total		100.0	100.0	100.0	100.0

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

7.2.3 Benefits from purchasing in cash

Due to the fact that with CCISB membership, micro entrepreneurs by and large improved their economic situation by tapping different supply chains and were able to purchase higher shares of their goods in cash, discounts increased as well. Before joining CCISB, nearly 16% did not get any discount at all, and a large majority of 42.6% just benefited from a 5% discount (Tab. 7.15). Afterwards, however, a clear shift towards higher discounts can be observed: only 2.1% of the CCISB members stated they still did not get discounts, but 50.5% even benefited from discounts of up to 10%. This pattern illustrates a cycle of positive development that sets in once micro entrepreneurs get away from purchasing on credit: the more they buy using cash, the higher obviously the discounts are, generating a greater cash flow in turn. Although the general pattern of increased discounts for an increased number of micro entrepreneurs is apparent, there are still clear district specific differences (Tab. 7.15). The shares of those getting a 10% discount vary from 26.9% in Kutch (after the interviewees had joined CCISB) to 82.9% in Sabar Kantha. Kutch remains the district with the highest share of those who still only got a discount of 5% (25%), as compared to all other districts. It is of note that before the interviewees joined CCISB, a high share of interviewees in Kutch and the highest share among all districts (29.4%) stated that they did not get discounts at all (Tab. 7.15).

In Kutch, as was seen before, a comparatively high share of micro entrepreneurs continues to purchase on credit, even though the amounts of goods purchased in cash increased. As was explained before, in a fast moving economy that is typical of the entrepreneurial setting of Kutch, quick cash supply, but also quick supply of materials is important, and the conditions thereof are secondary. Moreover, the supply within Kutch is restricted due to its remote location within Gujarat, as compared to Ahmedabad. Therefore, the conditions of supply and discounts differ, too (BHAT, R., pers. comm. on evaluating research results, Aug. 17, 2009). Generally, the discounts micro entrepreneurs benefit from also depend on the geographic location and conditions of supply, which explains differences among the districts under study. Ahmedabad, for instance, is not only an urban context, but also centrally located within Gujarat and consequently showed the highest share of micro entrepreneurs getting a discount of more than 20% due to easy supply conditions (19%, Tab. 7.15). This also points to the fact that social capital in the form of good supply chains has a spatial dimension and proximity is an issue. Clearly, rural areas may be more disadvantaged in that respect, which, however, may be counterbalanced by the efforts of the Chamber of Commerce (CCISB) in actively linking rural entrepreneurs to wholesale suppliers.

As is to be expected, the more micro entrepreneurs purchase in cash, the higher their discounts are, as Tab. 7.16 outlines. Before joining CCISB, 73.1% of those who stated they purchased nothing in cash got no discounts, either. After becoming members, 36.5% of those purchasing everything in cash got discounts

Tab. 7.15 Benefit from purchasing in cash, according to districts

District Benefit from purchasing in cash	Before joining CCISB					After joining CCISB				
	Ahmeda- bad (n=43)	Kutch (n=51)	Patan (n=55)	Sabar Kantha (n=41)	Total (n=190)	Ahmeda- bad (n=42)	Kutch (n=52)	Patan (n=59)	Sabar Kantha (n=41)	Total (n=194)
no discount	7.0	29.4	16.4	7.3	15.8	2.4	1.9	1.7	2.4	2.1
up to 5%	53.5	37.3	40.0	41.5	42.6	2.4	25.0	5.1	12.2	11.3
up to 10%	27.9	19.6	34.5	14.6	24.7	40.5	26.9	55.9	82.9	50.5
up to 20%	7.0	2.0	7.3	0.0	4.2	35.7	17.3	32.2	2.4	22.7
> 20%	2.3	7.8	1.8	0.0	3.2	19.0	11.5	5.1	0.0	8.8
getting credit	2.3	3.9	0.0	36.6	9.5	0.0	17.3	0.0	0.0	4.6
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SUIWA

Tab. 7.16 Benefits from purchasing in cash, according to how much is purchased in cash

Purchasing how much in cash Benefits from purchasing in cash	Before joining CCISB				After joining CCISB					
	nothing (n=26)	up to 25% of goods (n=46)	up to 50% of goods (n=85)	up to 75% of goods (n=2)	every-thing (n=29)	nothing (n=2)	up to 25% of goods (n=1)	up to 50% of goods (n=42)	up to 75% of goods (n=84)	every-thing (n=63)
no discount	73.1	8.7	5.9	0.0	3.4	100.0	0.0	2.4	0.0	1.6
up to 5%	19.2	58.7	44.7	0.0	37.9	0.0	100.0	23.8	9.5	4.8
up to 10%	7.7	28.3	21.2	100.0	41.4	0.0	0.0	42.9	67.9	36.5
up to 20%	0.0	2.2	2.4	0.0	17.2	0.0	0.0	16.7	15.5	36.5
> 20%	0.0	2.2	4.7	0.0	0.0	0.0	0.0	11.9	4.8	11.1
getting credit	0.0	0.0	21.2	0.0	0.0	0.0	0.0	2.4	2.4	9.5
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

of up to 20%, and an equal share benefitted from a 10% discount – so a cumulative percentage of 73% of interviewed CCISB members stating they purchased everything in cash got either 10% to 20% discount.

The **general conclusion** that can be drawn from these patterns is that micro entrepreneurs, once they start purchasing in cash from wholesalers, improve their economic situation significantly because increased discounts increase profits. Although microfinance schemes can lever people out of a debt spiral, distinct geographic and socio-economic differences between areas of a rather small scale have to be taken into account. The needs of micro entrepreneurs of various districts differ greatly, and NGO and governmental schemes should take these into account if they wish to really promote sustainable economic development and increased resilience to external shocks.

7.3 Cash/credit/money circulation

The following analyzes cash, credit and money circulation elements in the social-business network and as reported by the interviewed micro entrepreneurs. Sources of credit, credit conditions, as well as loans and respective loan investments were assessed in order to draw conclusions on the handling of finances by micro entrepreneurs, their investment strategies and how development efforts with respect to financial assistance should be adapted. The following box summarizes the differences between credit and loan and briefly explains the way these terms are used by micro entrepreneurs in Gujarat.

“Credit” and “loan” are strictly speaking, two different terms in the finance sector. The dictionary connects credit to “trust”; in this light, a banker allows a client to draw money, trusting that s/he will repay the money as per the terms and conditions agreed. Thus, in banking terms, credit is taking money and depositing it back on and off as a regular client in one's own account. Sometimes in India, this is also referred to as “over draft facility”. “Credit” is also used in the context of credit cards to mean: “to buy a product without paying the entire price at one time but instead agreeing to pay in installments or as a differed payment under pre-decided terms and conditions”.

The term “loan” is used more for term loans, i.e. money borrowed at a cost (interest) with a pre-decided repayment schedule. What is referred to in the survey as credit or loan would thus be “loans” according to this definition. These two terms are used interchangeably and often so in the field. In Gujarati, ‘credit’ and ‘loan’ are referred to as “dhiran”. Locally, “credit” is used as a generic term for “borrowing money at a cost”, whereas “loan” is used for a specific product. For example, “the women's group approached the bank with a request to extend credit to their members. At the end of the meeting, the Chairperson of the group handed over a list of members with specific loan demands for their small businesses.”

Interest and amortization are not necessarily interlinked in India, which is why people often end up paying just interest, without ever decreasing the amount they borrowed. Sometimes, the condition of getting credit is to pay interest until the capital is paid back, as was expressed in the survey.

Source: R. BHAT, pers. comm. on evaluating research results, June 22, 2009, and own observations

Box 7.2 Credit and loan

7.3.1 Sources of credit

More than one third of the interviewees, i.e. 34.6% (Tab. 7.17), stated that they went to private money lenders for credit before they joined CCISB, followed by 23.5% who asked their relatives for money, making both the money lenders and relatives important elements in the social network that can be activated for business needs. After becoming CCISB beneficiaries, a clear shift towards drawing from microfinance schemes of AIDMI and CCISB could be observed, with almost two thirds of the interviewees (62.2%) now relying on these NGOs for credit. At the same time, the share of those borrowing from private money lenders declined sharply to 13.1%. This attests to the importance an NGO or a business association may have as partner in the social network that can be tapped for business improvement.

Among those who mentioned “other” sources of credit, a majority referred to SEWA microfinance schemes or Cooperative Credit Societies, of which the Gujarati name is “Seva Sahakari Dhiran Mandali”. This term is used for all cooperatives registered under the “cooperative act”. Under this organizational structure, any person interested in the objectives of the cooperative can become a member and have a share in the profit or losses. It has a democratically elected body of office bearers from the members themselves, who run the cooperative. The word “dhiran” refers to the credit offered to the members, particularly in the case of cooperatives that give seeds and fertilizers to farmers on credit. The most common cooperatives are the milk and agricultural cooperatives (BHAT, R., pers. comm. on evaluating research results, June 22, 2009). Again, this attests to the role of an organizing structure for small businesses as an important partner in the social network.

The sources of credit indicated by the interviewed micro entrepreneurs allow several conclusions:

- The primary source of finance for micro entrepreneurs who are not assisted by NGOs or cooperatives structures are private money lenders: “they are quick, easy to access, but charge interest rates of up to 10% per day” (BHAT, R., pers. comm. on evaluating research results, Aug. 17, 2009). Micro entrepreneurs of the informal sector enter a vicious cycle leading downwards, where they keep paying interest rates without decreasing their principal debts.
- In order to rely on private money lenders as little as possible, a large share of micro entrepreneurs in need of money asks relatives for credit, because they charge no or just small interest.
- Very few micro entrepreneurs can access banks or official financial institutes for credit (9%).
- Microfinance schemes appear to be successful in helping micro entrepreneurs break out of the vicious cycle of private money lenders – high interest rates – more credit to cover other costs and further interest rates: the share of those micro entrepreneurs still going to private money lenders after benefitting from microfinance schemes of AIDMI/CCISB decreased by almost 20%.

As to credit handlings, there were remarkable **differences between the districts** under study before the interviewed micro entrepreneurs joined CCISB (Tab. 7.18): only 5% of the interviewees in Patan said they had not taken credit at all, as compared to 53.7% in Ahmedabad. 43.3% in Patan and 75.6% in Sabar Kantha stated they had taken credit from private money lenders before membership. After joining CCISB and benefitting from its Revolving Fund, however, a large majority in all districts (between 72.4% and 95.1%) drew from NGO funds, to the detriment of private money lenders. The before-after difference showed a remarkable contrast in Sabar Kantha, where before, 75.6% went to private money lenders, and now, more than 95% relied on NGO microfinance schemes. The shift from private money lending to microfinance schemes definitely serves to reduce economic vulnerability, and it shows that it is the access to other, more reliable and fair sources of credit that enable people of the informal sector to break out of vicious cycles. Just as was the case with the role of supply chains in the social and business network, so the supply of financial means is crucial. A replacement of the one supplier and the one money lender by a network of which organizations are a part, is building up social capital that directly translates into increased financial capital.

The differentiation according to **urban and rural areas** shows that nearly twice as many of the interviewed rural than urban micro entrepreneurs used to access private money lenders before becoming CCISB beneficiaries (58.6% versus 30.8%, Tab. 7.19). The share of rural interviewees who continued to take credit from private money lenders in spite of access to microfinance schemes provided by CCISB remained surprisingly high at 32.9% (8.4% of urban interviewees). There are several explanations for this pattern:

- CCISB's Revolving Fund is bound to certain business-related purposes, such as "tools/equipment", "working capital" and "raw materials". Other expenses are not covered. In rural areas, however, social expenses that serve to build up social capital are particularly high. If rural micro entrepreneurs need money for such social purposes that are not included in microfinance schemes, they continue to ask private money lenders.
- It is also in rural areas that finances are particularly scarce, since income is often irregular and low and the range of income generation possibilities minimal. Since the Revolving Fund does not require long-term savings, other necessary expenses are neither covered by own savings nor by microfinance schemes. The rural poor, then, again ask private money lenders for credit, which makes them prone to usury and increases their economic vulnerability further.

While being member of a business organization increases social capital, the fact that private money lending in rural areas persists even when NGOs like CCISB offer microfinance schemes should lead to a revision of the approaches taken. If CCISB's Revolving Fund goes without a precondition of own savings, then economic vulnerability cannot decrease in the long-term. Microfinance should be used as a tool to raise awareness of how finances can be handled over long

Tab. 7.17 Source of credits, before and after joining CCISB

Source of credits	Before joining CCISB		After joining CCISB	
	absolute	%	absolute	%
no credits	36	15.4	28	10.8
private money lenders	81	34.6	34	13.1
dealers	25	10.7	13	5.0
relatives	55	23.5	10	3.9
bank/financial institute	21	9.0	161	62.2
other	16	6.8	13	5.0
Total	234	100.0	259	100.0
				% of cases
				18.0
				40.5
				12.5
				27.5
				10.5
				8.0
				117.0

Tab. 7.18 Source of credits, according to districts

Source of credits	Before joining CCISB				After joining CCISB			
	Ahmedabad (n=41)	Kutch (n=58)	Patan (n=60)	Sabar Kantha (n=41)	Ahmedabad (n=43)	Kutch (n=58)	Patan (n=59)	Sabar Kantha (n=41)
no credits	53.7	13.8	5.0	7.3	20.9	17.2	13.6	2.4
private money lenders	9.8	34.5	43.3	75.6	2.3	0.0	10.2	65.9
dealers	19.5	15.5	5.0	12.2	9.3	10.3	1.7	4.9
relatives	17.1	36.2	31.7	19.5	0.0	3.4	5.1	12.2
bank/financial institute	2.4	0.0	6.7	39.0	79.1	72.4	78.0	95.1
other	0.0	8.6	18.3	0.0	0.0	10.3	11.9	0.0
% of total	20.5	29.0	30.0	20.5	21.4	28.9	29.4	20.4

Source Tab. 7.17 and 7.18: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SHIWA

Tab. 7.19 Source of credits, according to urban and rural areas

Urban/rural areas Source of credits	Before joining CCISB			After joining CCISB		
	urban (n=130)	rural (n=70)	%	urban (n=131)	rural (n=70)	%
no credits	26.2	2.9	15.4	19.1	4.3	10.8
private money lenders	30.8	58.6	34.6	8.4	32.9	13.1
dealers	14.6	8.6	10.7	7.6	4.3	5.0
relatives	27.7	27.1	23.5	3.8	7.1	3.9
bank/financial institute	3.1	24.3	9.0	76.3	87.1	62.2
other	3.8	15.7	6.8	4.6	10.0	5.0
% of total	65.0	35.0	100.0	65.2	34.8	100.0

Tab. 7.20 Source of credits, according to gender

Urban/rural areas Source of credits	Before joining CCISB			After joining CCISB		
	female (n=71)	male (n=129)	%	female (n=73)	male (n=128)	%
no credits	29.6	11.6	15.4	15.1	13.3	10.8
private money lenders	26.8	48.1	34.6	6.8	22.7	13.1
dealers	22.5	7.0	10.7	12.3	3.1	5.0
relatives	23.9	29.5	23.5	1.4	7.0	3.9
bank/financial institute	1.4	15.5	9.0	80.8	79.7	62.2
other	5.6	9.3	6.8	4.1	7.8	5.0
% of total	35.5	64.5	100.0	36.3	63.7	100.0

Source Tab. 7.19 and 7.20: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

periods with care and to draw attention to the increased vulnerability of a financial behavior that continuously approaches private money lenders for quick money. That is, it is not the organization as such that increases social capital that can be transformed into financial capital. Rather, it still depends on how the organization functions, whether or not financial capital can be had from the social network.

With respect to accessing private money lenders, significant **gender specific differences** could be observed (Tab. 7.20). The proportion of male to female micro entrepreneurs taking credit from private money lenders remained much higher even after joining CCISB (before: 48.1% versus 26.8%; after: 22.7% versus 6.8%). It seems that women avoid financial dependency and bad credit conditions if they can to a greater extent than men. This impression is further strengthened by the fact that the share of female micro entrepreneurs not taking credit at all, even when they had no NGO to rely on for funds, was significantly higher than the share among the male interviewees (29.6% versus 11.6%). This illustrates again the more careful handling of money by women; it can be assumed that if rural women have more say in financial matters at home, the influence of private money lending on family vulnerability could be reduced.

7.3.2

Conditions of credit

Although an overall majority of interviewed micro entrepreneurs stated usual interest rates according to the market were only at 2-5% (58.6%, Tab. 7.21), still 24.2% – nearly a quarter of all interviewees – said they were at 5-10%, and 4.8% said they were even above 10%. These interest rates have to be combined with the duration of credits according to the market (Tab. 7.22): 65.9% stated the duration of credits was one month, and 8.4% said credit had to be repaid within a day. If one calculates interest rates of up to 10% per day for the time span of a year, this comes to 3650% of interest per annum (BHAT, R., pers. comm. on evaluating research results, 17th Aug. 2009).

As a matter of fact, 6-10% interest is not unusual in urban areas – vegetable vendors borrow 10 Rs in the morning and repay 11 Rs in the evening. The interest rates are driven by a demand-supply scenario, and in a fast, competitive urban economy, demand is higher than the supply. Money lenders in urban areas, therefore, can dictate the terms (BHAT, R., pers. comm. on evaluating research results, 17th Aug. 2009). The district of Kutch with its capital Bhuj, again, stands out regarding interest rates, for just the described reasons (Tab. 7.22): this district showed the highest percentage of interviewees stating that the credit duration was daily (35%), and at the same time, a cumulative 29.1% indicated interest rates were at 6-10% or above 10% (Tab. 7.21). Ahmedabad showed a similar pattern, with 100% of the interviewees from this district stating credit duration was usually for a month, and 59.1% indicating interest rates were up to 10%. In contrast to the urban context, the economy of rural areas is slow and based on

Tab. 7.21 Interest rates for credit according to the market, by districts

Interest rates for credit according to the market	District	Ahmedabad (n=44)	Kutch (n=44)	Patan (n=58)	Sabar Kantha (n=40)	Total (n=186)
< 2%		6.8	9.1	12.1	0.0	7.5
2-5%		29.5	15.9	84.5	100.0	58.6
6-10%		59.1	40.9	1.7	0.0	24.2
> 10%		2.3	18.2	0.0	0.0	4.9
no interest		0.0	13.6	0.0	0.0	3.2
I don't know		2.3	0.0	1.7	0.0	1.1
n.a.		0.0	2.3	0.0	0.0	0.5
Total		100.0	100.0	100.0	100.0	100.0

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

Tab. 7.22 Duration of credits according to the market, by districts

Duration of credits according to the market	District	Ahmedabad (n=44)	Kutch (n=40)	Patan (n=55)	Sabar Kantha (n=40)	Total (n=179)
daily		0.0	35.0	1.8	0.0	8.4
monthly		100.0	52.5	76.4	27.5	65.9
per year		0.0	2.5	14.5	72.5	21.2
per month and/or per year		0.0	2.5	7.3	0.0	2.8
n.a.		0.0	7.5	0.0	0.0	1.7
Total		100.0	100.0	100.0	100.0	100.0

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

subsistence. Consequently, interest rates are less high (2-5% mainly), and the duration of credits is a little longer.

In short, higher interest rates indicate a higher demand, a shorter duration of credit a quicker turnover and smoother cash flow where terms of credits are secondary. Fewer discounts that are seen in Kutch are affordable to the micro entrepreneurs in a fast economy, due to assured business with a substantial rate of return of investments. Because of these structural patterns of urban and rural

economy, usually more private money lenders are in urban centers than in rural areas (BHAT, R., pers. comm. on evaluating research results, 17th Aug., 2009). Given that money lenders can dictate terms of credit, this indicates that credit self-help groups should be important nodes/partners in a social network that assists with business development.

However, with respect to terms of credit, **gender specific differences** are of note (Tab. 7.23): the share of men indicating their credit lasted a year was nearly five times as high as the female share (male: 29.6%; female: 6.2%). In contrast, many more women than men stated they had to repay their credit within a month

Tab. 7.23 Duration of credits according to the market, by gender

Duration of credits according to the market	Gender	female (n=64)	male (n=115)	Total (n=179)
	daily		10.9	7.0
monthly		78.1	59.1	65.9
per year		6.3	29.6	21.2
per month and/or per year		1.6	3.5	2.8
n.a.		3.1	0.9	1.7
Total		100.0	100.0	100.0

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

Tab. 7.24 Duration of credits according to the market, by education levels

Duration of credits according to the market	Education level	uneducated (n=32)	primary school (n=75)	middle school (n=37)	secondary school (n=29)	higher education (college, university) (n=4)	Total (n=177)
	daily		21.9	8.0	5.4	0.0	0.0
monthly		65.6	82.7	59.5	31.0	50.0	65.5
per year		3.1	6.7	29.7	65.5	50.0	21.5
per month and/or per year		3.1	1.3	5.4	3.4	0.0	2.8
n.a.		6.3	1.3	0.0	0.0	0.0	1.7
Total		100.0	100.0	100.0	100.0	100.0	100.0

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

(female: 78.1%; male: 59.1%). These patterns illustrate that the terms of credit for women are worse than for men: women have to repay their credits faster than men. This underlines the importance of microfinance schemes particularly geared towards women, such as promoted by NGOs like SEWA or Indian governmental authorities. It seems that women not only handle finances more carefully, as was illustrated before, but that their conditions of credit are discriminatory and their vulnerability therefore increased.

Education was another highly significant factor as to the duration of credits (Tab. 7.24): the highest share of those getting daily credit only was observed among the illiterate (21.9%), and 65.6% of them had to repay credit within a month. In contrast to that, 65.5% of those who had finished middle school received credits on an annual basis. The link between illiteracy, the inability to keep accounts and poor credit conditions was already established in the third chapter. The statistical figures support the relation between illiteracy, on the one hand, and exploitative credit conditions, on the other hand. It is crucial to guide micro entrepreneurs of the informal sector towards “financial literacy”, so that they are aware of what fair conditions are and how to get there. Illiteracy among women is much more spread than among men, as previous analyses showed, and tackling financial literacy and thus, an improvement of economic conditions of micro entrepreneurs should more strongly target women.

7.3.3

Increase of credit

With reference to how the interviewed micro entrepreneurs increased their credit, clear differences in strategies used before and after joining CCISB could be seen (Tab. 7.25): the main strategy before membership was to build up a good relationship with the creditor (48.5%), followed by paying credit back regularly (39.2%). Building up a good relationship was seen as useful if there were difficulties with the repayment. However, after joining CCISB and after the economic situation had improved, the most important strategy was to pay back regularly (41.9%). The relational dependence was no longer so important (27.1%), that is the need of investing in social relations in order to build up social capital decreased once financial capital increased.

To increase chances of getting more credit, interviewees claimed to expand their business (22.3%) as the increase in assets served as a guarantee and could be cashed in. In short, the perception of what is of importance in order to get credit changes with one’s economic capacities: when one does not have anything, a good relationship with a possible creditor is the most important factor. This relationship is part of the practical social capital of a micro entrepreneur that translates into facilitated access to credit. However, when one’s economic situation improves, the good relationship, although still important, becomes secondary as compared to simply paying back the money on a regular basis. In terms of social capital theory, then, it seems that while the transformation of social capital into financial capital can happen on a virtual basis (for instance, when

Tab. 7.25 Ways to increase credit, before and after joining CCISB

Increase of credit	Before joining CCISB			After joining CCISB		
	absolute	%	% of cases	absolute	%	% of cases
I expanded my business	17	6.5	10.1	65	22.3	40.6
I paid/pay back regularly	103	39.2	60.9	122	41.9	76.3
I paid/pay back faster	9	3.4	5.3	17	5.8	10.6
I had/have a good relationship with my creditors	127	48.3	75.1	79	27.1	49.4
other	7	2.7	4.1	8	2.7	5.0
Total	263	100.0	155.6	291	100.0	181.9

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

Tab. 7.26 Increase of credit before and after joining CCISB, according to gender

Increase of credit	Gender	Before joining CCISB		After joining CCISB	
		female (n=57)	male (n=112)	female (n=50)	male (n=110)
I expanded my business		12.3	8.9	46.0	38.2
I paid/pay back regularly		73.7	54.5	68.0	80.0
I paid/pay back faster		0.0	8.0	16.0	8.2
I had/have a good relationship with my creditors		70.2	77.7	48.0	50.0
other		0.0	6.3	2.0	6.4
% of total		33.7	66.3	31.3	68.8

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

due repayments can be delayed), building up actual financial capital increases independence and enhances the business development to a greater extent than investing in social capital could.

Paying back credit too, indicates clear **gender specific differences** (Tab. 7.26): although a high share of women interviewed considered “good relations” a crucial strategy to increase credit (70.2%), the share of those stating paying back regularly was important was even higher (73.7%). Even after joining CCISB, strategies to increase credit remained gender specific, with 16% of female opposed to 8.2% of male interviewees stating they paid back faster than before to increase their credit. Also, a higher share of women than men stated they had expanded their business so as to increase their credit (46% vs. 38.2%). It would

seem that women are more pragmatic in their handling of finances than men: by focusing on paying credit back regularly and fast, and augmenting assets, these business women are building up resources to draw from when difficulties hit. However, women might also get worse credit conditions, forcing them to repay credit fast. Especially in rural areas, where women's roles are traditionally very limited, a stronger focus on the entitlement of women to finances could help improve the overall financial situation of families.

7.4 Income, profits and savings

7.4.1 Income

A majority of the micro entrepreneurs interviewed who had joined CCISB could increase their average daily income significantly (Tab. 7.27): whereas before, only 7.4% of the interviewees made more than 300 Rs a day, and a majority indicated earnings of up to 200 Rs (27.7%), afterwards, nearly 20% reported average daily incomes of either more than 200 or more than 300 Rs, and percentages in the lower income categories decreased. The lowest income category of up to 50 Rs per day, to which before membership 4.5% of the interviewees belonged, was not reported any longer after the micro entrepreneurs had joined the NGO.

Tab. 7.27 Average income per day, before and after joining CCSIB

Average income per day	Before joining CCISB			After joining CCISB		
	absolute	%	cumulative %	absolute	%	cumulative %
1-50 Rs	9	4.5	4.5	0	0.0	0.0
51-100 Rs	46	22.8	27.2	8	4.0	4.0
101-200 Rs	56	27.7	55.0	31	15.3	19.3
> 200 Rs	36	17.8	72.8	39	19.3	38.6
> 300 Rs	15	7.4	80.2	40	19.8	58.4
> 400 Rs	13	6.4	86.6	36	17.8	76.2
> 500 Rs	5	2.5	89.1	26	12.9	89.1
n.a.	22	10.9	100.0	22	10.9	100.0
Total	202	100.0		202	100.0	

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

Tab. 7.28 Daily and monthly incomes in Rupees and US-Dollars

Daily income in Rs.	Daily income in \$ (30 days)	Monthly income in Rs.	Monthly income in \$
50	0.80	1200	24.50
100	1.63	2400	49.00
200	3.26	4800	98.00
300	4.90	7200	147.00

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

To better understand at what income levels the interviewed micro entrepreneurs are situated, table 7.28 gives a short overview of daily and monthly earnings, as well as of the respective amounts in US-Dollars. The monthly income in Rupees is calculated on the basis of the usual 6 day-week in India. Currency exchange rates are of August 20, 2009.

Table 7.28 clearly illustrates the financial framework of the micro entrepreneurs interviewed in Gujarat. It shows that a large proportion of the micro entrepreneurs interviewed reportedly earn less than one or two Dollars a day, which is defined as **absolute poverty** by the World Bank. This income is before deductions for supply and other expenses and reflects *family income*, which means the reported amounts have to be divided by the number of people per household. In such a context, an increase of income from 1.60 Dollars to 3.30 Dollars already makes a big difference.

Generally, income levels were more balanced after micro entrepreneurs had joined the NGO. Several reasons might explain the increase of income:

- a large number of CCISB members expanded their businesses, sold more and consequently earned more
- a majority of the CCISB members interviewed could escape the crippling grip of private money lenders by joining the organization's microfinance scheme.

However, **district specific differences of income** remain even when micro entrepreneurs could increase their income with CCISB membership (Tab. 7.29): whereas in Ahmedabad and Sabar Kantha, a majority of 20.5% and 34.1%, respectively, reported average daily incomes of more than 400 Rs, in Kutch earnings were reported near 200 Rs per day (28.1%). Explanations for the high incomes in Sabar Kantha – a cumulative 73.1% earned more than 300 to 400 Rs per day - could be related to the generally higher education levels in this district and the thereby greater chance to get skilled work or the dominance of grocery dealing as business type. In Kutch, the high interest rates might prevent micro entrepreneurs from purchasing more in bulk. As a consequence, not only is net

Tab. 7.29 Average income per day before and after joining CCISB, according to districts

District Average income per day	Before joining CCISB				After joining CCISB			
	Ahmedabad (n=44)	Kutch (n=57)	Patan (n=60)	Sabar Kantha (n=41)	Ahmedabad (n=44)	Kutch (n=57)	Patan (n=60)	Sabar Kantha (n=41)
1-50 Rs	11.4	3.5	1.7	2.4	0.0	0.0	0.0	0.0
51-100 Rs	13.6	33.3	23.3	17.1	6.8	3.5	3.3	2.4
101-200 Rs	18.2	36.8	20.0	36.6	15.9	28.1	13.3	0.0
> 200 Rs	11.4	14.0	15.0	34.1	13.6	21.1	25.0	14.6
> 300 Rs	15.9	7.0	1.7	7.3	18.2	17.5	10.0	39.0
> 400 Rs	25.0	0.0	3.3	0.0	20.5	17.5	5.0	34.1
> 500 Rs	0.0	3.5	3.3	2.4	20.5	10.5	11.7	9.8
n.a.	4.5	1.8	31.7	0.0	4.5	1.8	31.7	0.0
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Tab. 7.30 Average income per day before and after joining CCISB, according to gender

Average income per day	Before joining CCISB		After joining CCISB	
	female (n=74)	male (n=128)	female (n=74)	male (n=128)
1-50 Rs	8.1	2.3	0.0	0.0
51-100 Rs	31.1	18.0	5.4	3.1
101-200 Rs	20.3	32.0	25.7	9.4
> 200 Rs	12.2	21.1	18.9	19.5
> 300 Rs	12.2	4.7	14.9	22.7
> 400 Rs	10.8	3.9	20.3	16.4
> 500 Rs	1.4	3.1	10.8	14.1
n.a.	4.1	14.8	4.1	14.8
Total	100.0	100.0	100.0	100.0

Source Tab. 7.29 and 7.30: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

income low but quantity of sales as well. Furthermore, a high degree of competitiveness in Kutch might render the economic environment for micro entrepreneurs here more challenging. In Patan, 31.7% would not say what they earned, possibly indicating that earnings are irregular and rather low as persons earning well are generally not ashamed to say so.

These patterns reflect prevailing socio-economic differences between the districts. Kutch, for example, is the district where CCISB has worked for the longest period of time, and yet income levels here are still lower than in Sabar Kantha, where CCISB started its work recently. Understanding the reasons for lower incomes in certain districts and income gaps between districts can help adapt development efforts and income generation strategies for the involved micro entrepreneurs. Analyses of the underlying reasons to low income levels are decisive for an effective improvement of the micro entrepreneurs' economic situation. Also, the significant differences in gender specific income need to be addressed adequately (Tab. 7.30).

The fact that female interviewees generally earned less than their male counterparts is not surprising in itself, as even in industrialized countries, **significant gender gaps** remain regarding income levels for the same work and the same hours, making headlines every year. This, however, does not mean that the problem should be neglected: 25.7% of female micro entrepreneurs indicated earning up to 200 Rs even after having joining CCISB, whereas a majority of male interviewees (22.7%) reported average daily earnings of above 300 Rs. Why do women generally earn less even in the low level micro sector that was studied? There are several possible explanations:

- As was seen before, women tend to get worse credit conditions, having to pay back credit faster than male micro entrepreneurs.
- Women, in addition to being businesswomen, still have to take care of household and children, especially in a traditional context like India. Their multi-tasking goes to the detriment of high income – a pattern that is also observed in Western countries, where women tend to work part-time only in order to be able to still take care of their children.

Even if such patterns are structural, they do not dispend NGOs like CCISB from particularly addressing women's issues, since it is the second income of a family – generated by a "housewife" – that can contribute to an alleviation of poverty and more frugal handling of finances within a family.

Differences in **income levels between Hindus and Muslims** could also be identified (Tab. 7.31). Especially after joining CCISB, a significantly higher share of Muslims than Hindus reported higher incomes. 23.6% of Muslim interviewees, as compared to just 8.3% of the Hindus, reported average daily incomes of above 400 Rs, and 22.8% of Muslims, but just 15.3% of Hindus, indicated daily earnings of more than 300 Rs. The trend of higher income levels among Muslims than Hindus in the micro sector might be linked to the generally higher education levels of the Muslim population, particularly in Sabar Kantha. It would seem that better education translates into higher income.

Tab. 7.31 Average income per day before and after CCISB, according to religion

Average income per day	Religion	Before joining CCISB		After joining CCISB	
		Hindu (n=72)	Muslim (n=127)	Hindu (n=72)	Muslim (n=127)
1-50 Rs		1.4	6.3	0.0	0.0
51-100 Rs		27.8	20.5	4.2	3.9
101-200 Rs		19.4	32.3	16.7	15.0
> 200 Rs		11.1	22.0	19.4	18.9
> 300 Rs		2.8	10.2	15.3	22.8
> 400 Rs		12.5	3.1	8.3	23.6
> 500 Rs		2.8	2.4	13.9	12.6
n.a.		22.2	3.1	22.2	3.1
Total		100.0	100.0	100.0	100.0

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

The riot affected Muslim population interviewed in this survey possessed many assets that would usually help to prepare for disasters: they had high education levels and literacy rates were high even among the women. Muslims had, at least in the districts under study, relatively high incomes and showed a careful handling of finances. Yet, they remain extremely vulnerable, because the usual disaster risk reduction measures, such as i.e. improved construction, savings, specific knowledge or disaster insurance, do not prepare for *man-made disasters*, when at any time, violent mobs target a specific segment of society.

7.4.2 Profits

Similar patterns for average daily profits emerged as for income, which is why attention is given here to only two selected findings. Generally, the survey could show that a majority of interviewees were able to increase their daily profits after joining CCISB, in analogy to their incomes. Thus, whereas a majority (77.1%) reported profits of up to 100 Rs per day before membership, this changed to daily profits of 101-150 Rs being made after membership (52.5%, Tab. 7.32). Further, “daily profits of up to 200 Rs” increased from 1% to 18.8%. Thus, a majority of the CCISB members interviewed benefited from the organization’s microfinance scheme and could improve their economic situation.

Throughout the **districts**, a clear shift towards higher profits could be observed. However, a majority of micro entrepreneurs from the urban districts of Ahmedabad and Kutch (67.4% and 36.2%, respectively) reported profits of up

Tab. 7.32 Average profit per day before and after joining CCISB, according to districts

District Average profit per day	Before joining CCISB					After joining CCISB				
	Ahmedabad (n=44)	Kutch (n=57)	Patan (n=59)	Sabar Kantha (n=41)	Total (n=201)	Ahmedabad (n=43)	Kutch (n=58)	Patan (n=59)	Sabar Kantha (n=41)	Total (n=181)
no profit	2.3	8.8	3.4	2.4	4.5	0.0	0.0	0.0	0.0	0.0
1-100 Rs	88.6	78.9	55.9	92.7	77.1	18.6	32.8	17.9	7.3	20.4
101-150 Rs	6.8	8.8	5.1	4.9	6.5	67.4	36.2	48.7	63.4	52.5
151-200 Rs	0.0	1.8	1.7	0.0	1.0	7.0	13.8	28.2	29.3	18.8
201-300 Rs	0.0	0.0	1.7	0.0	0.5	7.0	3.4	2.6	0.0	3.3
> 300 Rs	0.0	1.8	0.0	0.0	0.5	0.0	13.8	2.6	0.0	5.0
n.a.	2.3	0.0	32.2	0.0	10.0	0.0	0.0	0.0	0.0	0.0
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat.
Principal investigator: N. SLIWA

Tab. 7.33 Average profit per day and net amount saved per day, before and after joining CCISB

Average profit per day Net amount saved per day	Before joining CCISB							Total (n=199)
	no profit (n=9)	1-100 Rs (n=154)	101-150 Rs (n=12)	151-200 Rs (n=2)	201-300 Rs (n=1)	> 300 Rs (n=1)	n.a. (n=20)	
no savings	77.8	81.2	66.7	50.0	100.0	0.0	90.0	80.4
1-20 Rs	22.2	13.6	16.7	0.0	0.0	0.0	0.0	12.6
21-50 Rs	0.0	5.2	16.7	50.0	0.0	100.0	5.0	6.5
Other	0.0	0.0	0.0	0.0	0.0	0.0	5.0	0.5
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Average profit per day Net amount saved per day	After joining CCISB							Total (n=180)
	1-100 Rs (n=36)	101-150 Rs (n=95)	151-200 Rs (n=34)	201-300 Rs (n=6)	> 300 Rs (n=9)	Total (n=180)		
no savings	8.3	1.1	2.9	0.0	0.0	2.8	2.8	
1-20 Rs	16.7	36.8	2.9	0.0	0.0	23.3	23.3	
21-50 Rs	66.7	42.1	70.6	0.0	0.0	48.9	48.9	
51-80 Rs	8.3	16.8	17.6	50.0	33.3	17.2	17.2	
81-100 Rs	0.0	3.2	2.9	16.7	22.2	3.9	3.9	
> 100 Rs	0.0	0.0	2.9	33.3	44.4	3.9	3.9	
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

to 150 Rs after membership, with less profits being made in the higher brackets, whereas in Patan and Sabar Kantha, nearly 30% were even making profits of up to 200 Rs per day. As discussed before, the lower profits in Ahmedabad and Kutch are probably linked to the high interest rates for credit, quick turnover due to high demand and strong competition. Although one could argue that in a demand-driven urban economy, such as in Bhuj or Ahmedabad, micro entrepreneurs can afford to pay higher interest rates (BHAT, R., pers. comm. on evaluating research results, Aug. 17, 2009), the reality shows that these micro entrepreneurs are simply making less profit than in other districts.

Interestingly, whether or not a family was saving money at all was not influenced by profits. The decision to save appears to be independent of factors such as income or profits, business type or geographic location. However, the *amounts* saved per day by a family were significantly influenced by the profits generated every day (Tab. 7.33). In short: the higher the profits, the higher the amounts saved. No one reported “no profits” after having become a CCISB member, and a greater percentage of entrepreneurs than before saved up to 50 Rs per day (5.2% before, 42.1% after).

7.4.3 Savings

Only 16.7% of the interviewees stated that they were saving at all before they joined CCISB (Tab. 7.34). The savings behavior changed drastically when they became CCISB beneficiaries – a remarkable 96.6% began to save. This is a complete turnaround; by choosing long-term productive investments despite scarcity of resources, these micro entrepreneurs began to lay a firm foundation for economic success. Neither geographic location nor gender, religion, education and income were of significance anymore: literally everyone saved money after membership. The question was what the savings were used for – social capital for short-term benefit or child education, disaster risk reduction or business expansion for long-term benefit?

Tab. 7.34 Saving, before and after joining CCISB

Frequencies	Before joining CCISB		After joining CCISB	
	absolute	%	absolute	%
saving	34	16.7	197	96.6
not saving	170	83.3	7	3.4
Total	204	100.0	204	100.0

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

The amounts saved increased remarkably from about 80% not saving to nearly 50% saving up to 50 Rs per day. This adds up to 1200 Rs per month (based on a 6 day-week); without doubt a most positive development. However, amounts saved differed significantly between **districts** as well as **urban and rural areas** (Tab. 7.35 and 7.36). Even before joining CCISB, Kutch had the highest share of micro entrepreneurs saving up to 20 or 50 Rs per day (36.8% and 15.8%). However, in Sabar Kantha, 51.2% were saving 20 Rs per day, and no one in this district could save more than 50 Rs every day. In contrast, between 15% and 24% of micro entrepreneurs in all other districts saved up to 80 Rs per day. There are several possible explanations for the high savings of the Kutchi and the low savings in Sabar Kantha: the entrepreneurial culture of the Kutchi people in general might go hand-in-hand with a savings culture, but savings here might also be a way of getting around the above average interest rates in the district. The figures from Sabar Kantha reflect two things: generally higher income levels do not necessarily mean good profits, let alone savings, and poor conditions in the Relief Camps with little perspectives for long-term improvement have an obvious negative effect on business in the area. Recovery is a long-term process, and this is particularly well illustrated by the low savings of riot-affected interviewees.

Tab. 7.35 Amounts saved per day before and after joining CCISB, according to districts

Amount saved per day \ District	Before joining CCISB				
	Ahmedabad (n=44)	Kutch (n=57)	Patan (n=60)	Sabar Kantha (n=41)	Total (n=202)
no savings	84.1	47.4	97.7	97.6	80.2
1-20 Rs	9.1	36.8	0.0	2.4	12.9
21-50 Rs	6.8	15.8	2.3	0.0	6.9
Total	100.0	100.0	100.0	100.0	100.0
Amount saved per day \ District	After joining CCISB				
	Ahmedabad (n=44)	Kutch (n=58)	Patan (n=60)	Sabar Kantha (n=41)	Total (n=203)
no savings	0.0	1.7	3.3	7.3	3.0
1-20 Rs	20.5	3.4	29.0	51.2	24.6
21-50 Rs	52.3	53.4	49.3	41.5	49.3
51-80 Rs	22.7	24.1	15.0	0.0	16.3
81-100 Rs	2.3	8.6	1.7	0.0	3.4
> 100 Rs	2.3	8.6	1.7	0.0	3.4
Total	100.0	100.0	100.0	100.0	100.0

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

Tab. 7.36 Amount saved per day before and after joining CCISB, according to urban and rural areas

Urban/rural areas Amount saved per day	Before joining CCISB	
	urban (n=132)	rural (n=70)
no savings	71.2	97.6
1-20 Rs	19.7	0.0
21-50 Rs	9.1	2.4
Total	100.0	100.0
Urban/rural areas Amount saved per day	After joining CCISB	
	urban (n=133)	rural (n=70)
no savings	2.3	4.3
1-20 Rs	13.5	45.3
21-50 Rs	50.4	47.6
51-80 Rs	24.1	1.4
81-100 Rs	5.3	0.0
> 100 Rs	4.4	1.4
Total	100.0	100.0

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

Differences between urban and rural areas remained even after the micro entrepreneurs had become CCISB members (Tab. 7.36): a cumulative 92.9% of the rural micro entrepreneurs could still only save up to 50 Rs per day, with literally no one saving more than that, whereas among the urban interviewees, 24.1% could save up to 80 Rs per day. These figures demonstrate that even when the situation of a majority of micro entrepreneurs has improved by and large through CCISB membership and microfinance schemes, rural poverty remains a particular challenge, and efforts have to intensify with respect to the rural poor.

7.5

Loans, investments and increases of profit

7.5.1

Loans

A significant number of persons (64.7%) used to take out loans before joining CCISB (Tab. 7.37), this share decreasing dramatically to just 26.5% after becoming members. The question was formulated as “Do you still take loans outside of CCISB, after having become a CCISB member?” Analysis of the results indicates that many interviewees had actually been referring to the Revolv-

ing Fund provided by CCISB, respectively AIDMI's Livelihood Relief Fund. Nevertheless, the results give a clear picture: with CCISB membership and consequently, with access to microfinance schemes, the share of those taking loans from other sources decreased significantly.

It should be noted, however, that even with CCISB membership, every second interviewed micro entrepreneur from **rural areas** stated that he/she still took **loans from other sources** (rural: 51.4%, urban: 13.4% , Tab. 7.38). It is recognized that rural poverty is more desperate than urban poverty, with incomes generally lower, more irregular and economic cycles slower. Yet, despite access to microfinance, rural micro entrepreneurs obviously need more money than they can generate through their own savings or through microfinance schemes. The poor in India generally invest a maximum in their social capital, which means that exorbitant amounts are spent – or as Indians would say, “invested in” – social events where hundreds of people of the family and close friends are invited. The building of relationships and social networks compensates for the lack of social welfare, and the only insurance poor people have are their social networks. These networks become very valuable in times of need – but only when they have been nurtured. Particularly in rural areas, social expenses are a major issue, and given the fact that even the poorest wedding in India costs a minimum of 120 000 Rs if no-one is to “lose face” (PANDIYA, M., pers. comm., Sept. 22, 2008), it becomes apparent that micro entrepreneurs who earn between one and

Tab. 7.37 Loans outside of CCISB before and after joining CCISB, according to districts

District \ Loans	Before joining CCISB				
	Ahmedabad (n=44)	Kutch (n=59)	Patan (n=60)	Sabar Kantha (n=41)	Total (n=204)
loans	15.9	68.8	80.0	90.2	64.7
no loans	84.1	27.3	20.0	9.8	33.8
n.a.	0.0	3.9	0.0	0.0	1.5
Total	100.0	100.0	100.0	100.0	100.0
District \ Loans	After joining CCISB				
	Ahmedabad (n=44)	Kutch (n=59)	Patan (n=60)	Sabar Kantha (n=41)	Total (n=204)
loans	0.0	11.9	26.7	75.6	26.5
no loans	97.7	45.8	30.0	19.5	47.1
void	2.3	35.6	43.3	4.9	24.4
n.a.	0.0	6.7	0.0	0.0	2.0
Total	100.0	100.0	100.0	100.0	100.0

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

Tab. 7.38 Loans according to urban and rural areas, before and after joining CCISB

Urban/rural areas Loans	Before joining CCISB	
	urban (n=134)	rural (n=70)
loans	53.0	87.1
no loans	44.8	12.9
n.a.	1.5	0.0
Total	100.0	100.0
Urban/rural areas Loans	After joining CCISB	
	urban (n=134)	rural (n=70)
loans	13.4	51.4
no loans	58.2	25.7
void	25.4	22.9
n.a.	3.0	0.0
Total	100.0	100.0

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

four dollars a day will not get to such amounts by saving. While Nam Lin holds the notion that social capital generates returns in income and thus may turn into financial capital (NAM LIN et al. 2001: 73), in this case it is evident that investing in social capital may in fact be to the detriment of financial capital.

This tendency to continue borrowing from sources other than CCISB or NGO funds, underlines the importance of raising financial awareness of the rural population. It is necessary for them to see the link between increasing indebtedness and economic vulnerability and poverty. Under such circumstances, CCISB should reconsider its approach to giving Revolving Fund to micro entrepreneurs who have not yet learned how to handle their finances and savings carefully. It would make sense if funds only be rewarded to people who have demonstrated their financial discipline (BHAT, R., pers. comm., Oct. 28, 2008).

District specific differences with respect to the handling of loans could also be observed: although an overall majority stopped taking loans after CCISB membership, 75.6% in Sabar Kantha continued to go for loans outside CCISB (Tab. 7.37). In contrast, 97.7% in Ahmedabad no longer took loans. Apparently, CCISB does not meet the needs of the Muslim population in Sabar Kantha, which is possibly the reason why they still look for other funding sources. The fact that CCISB does not yet offer health insurance – which, for instance, SEWA does – might be one of multiple factors pushing micro entrepreneurs to still take loans. Without health insurance, it might be health expenses that keep people in poverty. As BHAT points out, if the poor need to take loans for health reasons then it must be serious because they would not risk a loss of income for nothing (pers. comm. Oct. 28,

2008). Taking into account that Sabar Kantha is also the district with lowest profit and savings, the need for loans to cover any unexpected costs is particularly high.

The **relation between savings and loans** taken is illustrated in Tab. 7.39. 68.2% of those who were not saving before joining CCISB had to take loans, 50% of those who were saving did not take loans. In short: savings are the start-

Tab. 7.39 Loans before and after joining CCISB, according to savings

Loans \ Saving	Before joining CCISB	
	saving (n=134)	not saving (n=170)
loans	47.1	68.2
no loans	50.0	30.6
n.a.	0.0	1.2
Total	100.0	100.0
Loans \ Saving	After joining CCISB	
	saving (n=197)	not saving (n=7)
loans	26.4	28.6
no loans	46.7	57.1
void	25.4	0.0
n.a.	1.5	14.3
Total	100.0	100.0

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

Tab. 7.40 Loans before and after joining CCISB, according to gender

Loans \ Gender	Before joining CCISB	
	female (n=75)	male (n=129)
loans	46.7	75.6
no loans	53.3	22.8
n.a.	0.0	1.6
Total	100.0	100.0
Loans \ Gender	After joining CCISB	
	female (n=75)	male (n=129)
loans	12.0	34.9
no loans	69.3	34.1
void	16.0	29.5
n.a.	2.7	1.6
Total	100.0	100.0

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

ing point for a positive development. Own resources help to cover unexpected costs and create economic stability. With own savings, there is no need for private money lenders every time there is a shortage of finances. However, as was pointed out before, an analysis of saving motivation is necessary to avoid assumptions.

Gender specific behavior regarding loans was highly significant even after the micro entrepreneurs had joined CCISB and thus, had access to microfinance. 69.3% of the female interviewees made it clear that they did not take any loans outside CCSIB, 34.1% of the male interviewees did not take loans (Tab. 7.40). This difference points again to the tendency of women to avoid debts whenever possible. The fact that another 34.9% of male interviewees stated they still took loans after joining CCISB is surprising.

7.5.2

Loan amounts

The analyses of loan amounts brought to light remarkable structural features: a large share of micro entrepreneurs took loans of more than 5000 Rs (before: 58.8%, after: 47.3%, Tab. 7.41), and these numbers did not decrease considerably with CCISB membership. Given the small incomes, these amounts are high, and loans of more than 5000 Rs are taken on a regular basis, even when the micro entrepreneurs have access to microfinance. During in-depth interviews, the researcher met micro entrepreneurs who easily took a 30 000 Rs loan for health reasons. Higher loan amounts were not included in the survey to avoid irritating interviewees. The formulation “loans above 5000 Rs” proved a good mechanism for assessing structural features of loan behavior without causing people to lose face over telling precisely to what extent they were indebted.

Regarding loan amounts, the differences between **urban and rural areas** were striking (Tab. 7.42). Before joining CCISB, 73.2% of the interviewed rural micro entrepreneurs (urban: 44.9%) reported that they had taken loans of above 5000 Rs. CCISB membership, and with it, access to microfinance, did not change that pattern structurally: 57.7% of the rural interviewees (urban: 34.1%) continued to take loans of more than 5000 Rs. This supports the impression outlined before that the rural poor not only seem to have a greater need of money that continues even when they are able to access microfinance schemes, but they seem to handle money very differently: they tend to get indebted to a higher degree partly also because of their efforts in building up social capital through expenses in social events, and their incomes are significantly lower. Their vulnerability, therefore, is particularly high, not only due to external circumstances, but because of own financial decisions – at the individual level. In order to efficiently alleviate poverty, micro entrepreneurs of both urban and rural areas must come to understand where their own financial decisions increase their economic vulnerability. It would be of benefit if they could see to what extent they themselves are agents of change with respect to finances. CCISB should reconsider its microfinance strategies by emphasizing financial literacy, responsibility, savings and careful use of scarce resources more.

Tab. 7.41 Loan amounts, before and after joining CCISB

Loan amounts	Before joining CCISB		After joining CCISB	
	absolute	%	absolute	%
no loans	15	11.0	33	35.5
1001-2000 Rs	4	2.9	4	4.3
2001-5000 Rs	37	27.2	12	12.9
> 5000 Rs	80	58.8	44	47.3
Total	136	100.0	93	100.0

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

Tab. 7.42 Loan amounts before and after joining CCISB, according to urban and rural areas

Urban/rural areas Loan amounts	Before joining CCISB		After joining CCISB	
	urban (n=69)	rural (n=67)	urban (n=41)	rural (n=52)
no loans	11.6	10.4	41.5	30.8
1001-2000 Rs	5.8	0.0	7.3	1.9
2001-5000 Rs	37.7	16.4	17.1	9.6
> 5000 Rs	44.9	73.2	34.1	57.7
Total	100.0	100.0	100.0	100.0

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

7.5.3

Loan investments

A majority of the interviewees reported that they invest their loans in their micro enterprises (Tab. 7.43) – either in “infrastructure for livelihood” (in the Indian context under study, this term refers to the business, see Chapter 4), or in “business expansion”. Before and after joining CCISB, these investment categories were the most important (before: 25.7% and 18.2%, after: 21.7% and 15%). However, after joining CCISB, even more business related investments were indicated than before, such as “working capital” (that enables micro entrepreneurs to purchase larger stocks, for instance) (18.1%), “tools/equipment” (9.3%) and “raw material” (9.3%).

Whereas before joining CCISB, besides business related matters, the other important investment categories were “social expenses” (10.7%) and “health” (11.7%), the percentage of those who continued to take loans for such purposes

Tab. 7.43 Loan investments, before and after joining CCISB

Loan investments	Before joining CCISB		Loan investments	After joining CCISB	
	absolute	%		absolute	%
infrastructure for livelihood	55	25.7	infrastructure for livelihood	49	21.7
reconstruction after disaster	35	16.4	reconstruction after disaster	2	0.9
business expansion	39	18.2	business expansion	34	15.0
social things	23	10.7	social things	12	5.3
health	25	11.7	health	2	0.9
livelihood	26	12.1	livelihood	34	15.0
child education	9	4.2	child education	10	4.4
other	2	1.0	working capital	41	18.1
Total	214	100.0	tools/equipment	21	9.3
			raw material	19	8.4
			other	2	1.0
			Total	226	100.0

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

decreased significantly after joining the organization. Only 5.3% of the interviewees who had become CCISB members stated they still continued to take loans from other sources to cover social expenses.

At first sight, this seems to be a positive development: the share of those primarily investing into business related matters increased, and at the same time, the proportion of those taking loans for short-term social costs diminished. However, these figures do not necessarily reflect that the micro entrepreneurs interviewed had actually changed their *priorities of investment*, and that social expenses now were less important. These figures only point out that the micro entrepreneurs interviewed stopped taking *loans* for social expenses to some extent. Taking into consideration that 96.6% started saving after they had become CCISB members, one might reflect on the investments taken from these savings. The fact that less than 1% now took loans for health expenses might indicate that people were able to cover such costs through own savings, and obviously, this would be a positive development. However, given the cultural background and the importance of social capital, one might suspect that the micro entrepreneurs began to use their own savings for social purposes, and continued to take loans from various sources for business purposes. If this is the case, then the use of internal resources would have shifted, not necessarily for the better. This would indicate that rather than using their own resources for long-term productive investments related to their businesses, the micro entrepreneurs prefer to use

their resources for short-term social expenses. This, again, would mean that the micro entrepreneurs continue to get indebted for their businesses – their only source of income – because they do not use their own resources for it in the first place. If the interviewed micro entrepreneurs choose to invest their own savings in social events rather than their businesses, this throws a light on priorities of investments and responsibilities people have for their own economic situation. Further analysis of responses related to amounts the interviewed micro entrepreneurs now spend on social expenses is revealing in this matter. Social capital understood as financial investment in relationships and concomitant high social expenses goes to the detriment of financial capital that is no longer available at a later stage when needed for productive investment.

The fact that CCISB grants the Revolving Fund to members that are “economically active”, as observed by CCISB staff, but without offering some sort of training to ensure better handling of finances in the long-term or controlling of savings, is problematic and does not adhere to the standards the Indian Government. Other NGOs, like SEWA, have a different approach, integrating both training and educational programs in their microfinance schemes.

It should be noted here, that other than expected, the type of investments made with loans outside of CCISB are not influenced by factors such as gender, education, religion or geographic location. Loan purposes seem to be solely defined by

- general basic needs, such as reconstruction after disaster impact or health coverage. Anyone can be affected by either of the two at any moment.
- cultural patterns. Social expenses are a cultural issue, as are rather low investments in child education. Education in India is related to castes and values transmitted by certain castes. The lower castes – and most interviewees were Scheduled Castes – do not necessarily have a tradition of academic knowledge and education that they pass onto their children (BHAT, S., pers. comm., Oct. 25, 2008).
- individual choices. The handling of finances is very much a question of individual perspectives and priorities, but of course, also interlinked with cultural and educational aspects.

7.5.4

Increase of profit because of the loan

Regarding loans taken by micro entrepreneurs before they joined CCISB, 45.6% of the interviewees reported that these loans had not brought them any profit at all (Tab. 7.44). Obviously, if such loans are used for reconstruction after a disaster, for health or social expenses, they cannot be profitable with respect to the business. However, after joining CCISB, a majority indicated the loans they had taken now brought them a monthly increase of profit up to 200 Rs (41%). As was seen before, the loan purposes were strongly related to business matters, and therefore, it is of no surprise that such investments pay off. The two crucial aspects really are what savings and loans are used for.

Tab. 7.44 Monthly increase of profit because of the loan before and after joining CCISB, according to districts

District	Before joining CCISB				After joining CCISB			
	Kutch (n=35)	Patan (n=47)	Sabar Kantha (n=36)	Total (n=125)	Kutch (n=29)	Patan (n=43)	Sabar Kantha (n=33)	Total (n=105)
Monthly profit increase because of the loan								
no increase of profit	20.0	89.4	11.1	45.6	20.7	4.7	3.0	8.6
1-100 Rs	51.4	4.3	86.1	41.6	10.3	14.0	18.2	14.3
101-200 Rs	17.1	0.0	2.8	6.4	48.3	14.0	69.7	41.0
201-500 Rs	8.6	4.3	0.0	4.8	20.7	34.9	9.1	22.9
> 500 Rs	2.9	2.1	0.0	1.6	0.0	32.6	0.0	13.3
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

(Values for Ahmedabad too small to be significant)

Tab. 7.45 Monthly increase of profit because of the loan before and after joining CCISB, according to religion

Religion	Before joining CCISB		After joining CCISB	
	Hindu (n=38)	Muslim (n=84)	Hindu (n=31)	Muslim (n=72)
Monthly profit increase because of the loan				
no increase of profit	57.9	39.3	16.1	5.6
1-100 Rs	21.1	52.4	9.7	15.3
101-200 Rs	10.5	4.8	6.5	56.9
201-500 Rs	10.5	2.4	38.7	15.3
> 500 Rs	0.0	1.2	29.0	6.9
Total	100.0	100.0	100.0	100.0

Source Tab. 7.44 and Tab. 7.45: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

To what extent the investment priorities determine the increase of profit shows even clearer when regarding **district specific differences** (Tab. 7.44): nearly 90% of interviewees in Patan indicated that before they became CCISB members, their loans brought no profit. By contrast, just 11.1% of the micro entrepreneurs in Sabar Kantha felt the same. As mentioned before, social expenses are particularly high in rural areas such as Patan. Therefore, the high share of those stating their profits did not increase through loans could indicate the use of loans to cover high social expenses. The fact that even before CCISB was active in the area, 86.1% of the interviewed micro entrepreneurs from Sabar Kantha reported a monthly increase of profit of at least 100 Rs underlines that with higher education levels, the handling of finances changes, too, as do priorities of investment. Frugal investments increase financial capital, whereas short-term expenses, even if they are perceived as an investment, do not actually serve to build up finances. Investments in social capital, then, go to the detriment of financial capital or at least, prevent an increase of financial capital.

After the micro entrepreneurs had joined CCISB, a majority in all districts declared their profits had increased because of loans. However, in the district of Kutch, still one fifth of the interviewees (20.7%) stated their profits had not increased. This might be linked to the particularly high interest rates that are common in this district.

A relative comparison of religions show that Muslims found it easier to make profit with their loans than the Hindus, regardless of CCISB membership (Tab. 7.45). This could indicate that Muslims take loans for purposes that usually bring profit. It could also reflect the generally higher education levels of the Muslims interviewed. However, the share of Hindus stating their profit had increased by more than 500 Rs per month due to loans after joining CCISB was significantly higher (Hindus: 29%, Muslim: 6.9%). Considering that the Muslims interviewed were still recovering from the shock of the riots and needed to rebuild basic infrastructure, this result appears to be an indication that as a consequence, they could only expand their businesses slowly, thus remaining more vulnerable as compared to Hindu families.

7.5.5

Revolving Fund

An overall majority of 68.5% of the micro entrepreneurs interviewed had received the Revolving Fund (Tab. 7.46), the interest free microfinance scheme offered by CCISB offered for business related purposes. A cumulative 87.1% stated they had received the fund once or twice. The amounts received (Tab. 7.47) were mostly between 4001-10 000 Rs (63.6%), often at 5000 Rs. However, whereas nearly 80% of CCISB members from urban areas had received the Revolving Fund, only 48.6% of the interviewed micro entrepreneurs from rural areas had. A majority of rural micro entrepreneurs (51.4%) had not benefitted from this microfinance scheme (Tab. 7.48). These figures reflect the fact that CCISB began its work in urban areas and only recently started to include rural

areas. As CCISB representatives explained, the microfinance schemes are met with more skepticism in rural areas; by being able to show good results in urban areas, bridges of trust are being built to rural areas (SADHU, H., pers. comm., Sept. 2008). Although with a much lower proportion of female interviewees, the overall survey sample was rather biased with respect to gender, a significantly higher proportion of female micro entrepreneurs (female: 89.3%, male: 56.6%, Tab. 7.48) has received the Revolving Fund. This might indicate that CCISB adheres to its mission to particularly support women. However, it could also indicate that the sample was carefully chosen so as to show CCISB's support of

Tab. 7.46 Revolving Fund

Revolving Fund	Frequencies	
	absolute	%
yes	140	68.6
no	63	31.4
Total	203	100.0
How many times did you get the Revolving Fund?	Frequencies	
	absolute	%
once	61	43.9
twice	60	43.2
three times	12	8.6
four times	5	3.6
five times	1	0.7
Total	139	100.0

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

Tab. 7.47 Revolving Fund amounts

Revolving Fund amounts	Frequencies	
	absolute	%
1001-2000 Rs	4	2.6
2001-4000 Rs	24	15.6
4001-10000 Rs	98	63.6
> 10000 Rs	28	18.2
Total	154	100.0

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

Tab. 7.48 Revolving Fund, according to urban/rural areas and gender

Urban/rural areas/gender	urban (n=134)	rural (n=70)	female (n=75)	male (n=129)
Revolving Fund				
yes	79.1	48.6	89.7	56.6
no	20.1	51.4	10.3	43.4
Total	100.0	100.0	100.0	100.0

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

women, even if the organization does not put an emphasis on them in particular. The fact that from a comparatively small total of female interviewees, a disproportionately high share had received assistance from CCISB might support the latter interpretation.

7.5.6

Investments made with the Revolving Fund

The interviewed micro entrepreneurs mainly used the Revolving Fund provided by CCISB as working capital (35.1%, Tab. 7.49) in order to increase stock or to purchase supplies in cash, for example, or to buy raw material for products (27.3%). Business expansion was another important investment made with CCISB's Revolving Fund (18.1%). However, the differentiation between **urban and rural areas** indicates differences as to priorities of investments (Tab.

Tab. 7.49 Investments made with the Revolving Fund, overall and according to urban and rural areas

urban/rural areas	absolute	%	urban (n=108)	rural (n=34)
Investments from the Revolving Fund				
business expansion	49	18.1	41.7	11.8
working capital	95	35.1	62.0	82.4
tools/equipment	44	16.2	23.1	55.9
raw material	74	27.3	47.2	67.6
other	9	3.3	7.4	2.9
Total	271	100.0	76.1	23.9

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

7.49): 82.4% of rural micro entrepreneurs reported they needed the Revolving Fund as working capital (urban: 62%). Furthermore, the need for tools/equipment (55.9%) and for raw material (67.6%) was particularly high in rural areas. In urban areas, funds were mostly used for business expansion (41.7%; rural: 11.8%). These results indicate the greater need for basic business equipment in rural areas; in urban areas where this infrastructure is in most cases already available, micro entrepreneurs can invest directly into the expansion of their businesses. Certainly, CCISB should intensify its efforts in rural areas where basic necessities are missing in order to improve the micro entrepreneur's economic conditions.

7.5.7

Increase of profit because of CCISB's Revolving Fund

It is remarkable that 47.7% of the interviewees reported a monthly increase of profit from the Revolving Fund provided by CCISB of above 500 Rs. Given the extremely small incomes of between 1200 and 7400 Rs per month, a monthly increase by 500 Rs makes a big difference. 30.3% stated an increase of 201-500 Rs. This means a cumulative 78% indicated they had a profit increase between 201 to more than 500 Rs per month. This is a result attesting to the positive impact of this particular microfinance scheme. It shows that the microfinance strategy of CCISB constitutes a pivotal element of positive development for the improvement of economic conditions. Once micro entrepreneurs started making long-term investments in their businesses, profits and hence, savings, increased. Thus, again, own financial choices are shown to be a decisive factor of development.

In rural areas, where basic necessities for businesses are lacking and absorb a good deal of investment funding, 91.3% of interviewees (urban: 33.3%) reported their monthly profit had increased by more than 500 Rs due to the Revolving Fund (Tab. 7.50). This demonstrates how great the impact of small steps can

Tab. 7.50 Monthly increase of profit because of the Revolving Fund

Monthly profit increase because of the Revolving Fund	Urban/rural areas		
	urban (n=108)	rural (n=34)	Total (n=142)
1-100 Rs	12.0	2.9	9.9
101-200 Rs	15.8	2.9	12.1
201-500 Rs	38.9	2.9	30.3
> 500 Rs	33.3	91.3	47.7
Total	100.0	100.0	100.0

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

be, particularly so in rural areas. Considering very few of the rural micro entrepreneurs have received CCISB's Revolving Fund so far, there is much potential in this area, particularly if linked to financial training. Evaluating this finally in terms of social capital theory, it can be stated that for micro entrepreneurs being organized in the social network which has the form of a business association translates into access to capital, training and strategies provided by the association, and this, in turn, may transfer directly into sustained economic gains.

7.6

Bridging social and financial capital – own observations

Social capital in the form of a business network offering access to capital and financial training constitutes a safety net strengthening the business and enhancing development. However, if social capital is built up to the detriment of financial capital, when high social expenses strengthening personal relationships use up savings or increase the need for taking loans, then long-term business development is hindered. The focus should therefore lie on strengthening ties with business associations offering assistance that directly translates into financial capacity and means: through savings, access to credit/microfinance and financial training. In other words: social and financial capital should increase mutually, without social replacing the financial capital. The following graph summarizes the impact that joining a business association offering both could possibly have, comparing the situation before and after.

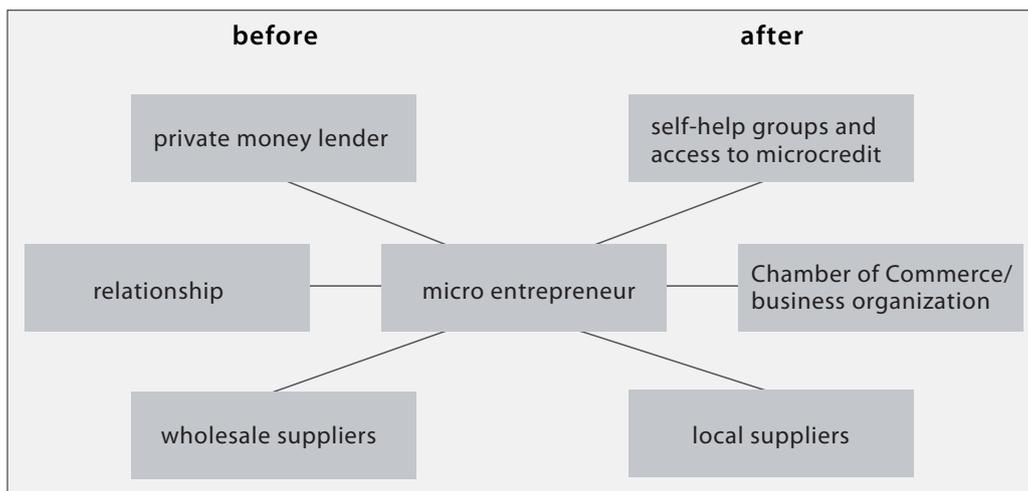


Fig. 7.2 Social and financial capital for business development. Concept: N. SLIWA

8 Selected factors of business success

“Finance begins with savings, not loans.” (HUGH ALLEN 2007: 49)

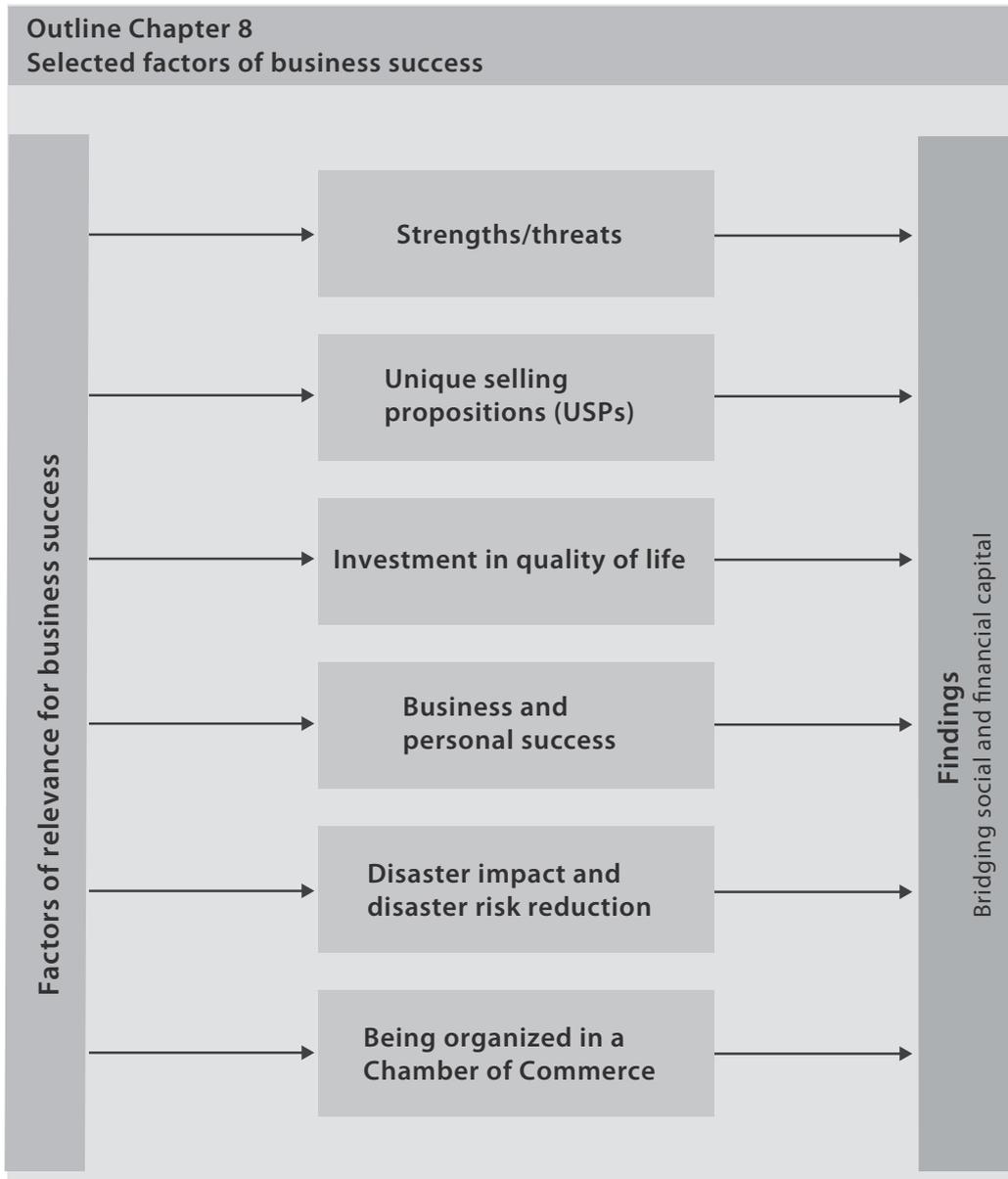


Fig. 8.1 Outline Chapter 8. Source: Author’s design

Attention now turns to **further management factors that can affect a business**, focusing on

- threats to the business (subchapter 8.1)
- unique selling propositions (USPs) (subchapter 8.2)
- expenses for/investment in the quality for life (subchapter 8.3)
- factors of business and personal success (subchapters 8.4)
- disaster impact for small businesses and measures taken by micro entrepreneurs to reduce risk (subchapter 8.5)

Also, it is explored how micro entrepreneurs see the work of CCISB and in which areas they feel improvements could be made (subchapter 8.6). The chapter concludes with a summary of the structural patterns made apparent in the quantitative analysis of responses offered by micro entrepreneurs during the survey of their finance management (8.7).

8.1

Strength of/threats to the business

Being forgotten by government poverty programs – BPL (Below Poverty Line) card and insurance. Whether or not a household of a micro entrepreneur is eligible for government assistance programs specifically targeted at the poor depends entirely on whether this household holds a BPL card identifying its members as officially poor. Holders of a BPL card are entitled to food rations and to benefits from governmental programs. The poverty line in India is officially at 12 000 Rs per household per year, irrespective of the household's size. This makes the statistical definition of poverty in India problematic as poverty levels are not adjusted to household sizes and use is not made of a per capita concept.

As the definition of poverty is not clear, the distribution of BPL cards to people is likewise arbitrary. According to BHAT (pers. comm., Sept. 15, 2008), BPL cards may be distributed by looking at the interior of a house – a slum family with a fan might be considered too well-off to receive a BPL card – or by considering family relations. This might mean that members of a certain family linked to a local official in charge of BPL card distribution would receive BPL cards, whereas other, possibly far worse off households might be left out.

More than half of the interviewees (53.9%, Tab. 8.1) reported they did *not* have a BPL card and thus, were not officially registered as poor. This is all the more significant if one considers that a majority of these micro entrepreneurs only have incomes between one and four dollars a day and therefore would be counted as absolutely poor in terms of the internationally recognized World Bank and United Nations/FAO based definition of absolute poverty (about 1 Dollar per person per day). As these micro entrepreneurs are not officially recognized as poor in India, governmental efforts towards poverty alleviation are not

Tab. 8.1 BPL card possession, according to districts

BPL card \ District	Ahmedabad (n=44)	Kutch (n=59)	Patan (n=60)	Sabar Kantha (n=41)	Total (n=204)
BPL card	0.0	54.2	43.3	87.8	46.1
no BPL card	100.0	45.8	56.7	12.2	53.9
Total	100.0	100.0	100.0	100.0	100.0

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

Tab. 8.2 BPL card possession, according to education levels

BPL card \ Education	uneducated (n=40)	primary school (n=85)	middle school (n=43)	secondary school (n=29)	higher education (college, university) (n=5)
BPL card	47.5	29.4	53.5	82.8	40.0
no BPL card	52.5	70.6	46.5	17.2	60.0
Total	100.0	100.0	100.0	100.0	100.0

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

reaching them. This situation certainly contributes to already vulnerable conditions and poses a threat for the households and micro enterprises.

Again, **district specific differences** with respect to the possession of BPL cards could be identified (Tab. 8.1): whereas 87.7% of the interviewees in Sabar Kantha reported having a BPL card, no one in Ahmedabad had one, and only 43.3% in Patan had this card. In Sabar Kantha, it may be assumed that the higher education levels and the support of the Islamic Relief Committee explain the higher number of official BPL cards here. The statistics do indicate a trend to more BPL card holders with increasing education levels (Tab. 8.2), and indication that education and literacy are key to information access and empowerment of the poor.

Urban/rural areas and gender. More rural than urban interviewees reported the possession of a BPL card (rural: 61.4%; urban: 38.1%, Tab. 8.3), illustrating the greater poverty and need of rural areas. Twice as many men than women stated they had a BPL card (men: 56.6%; women: 28%). This does not necessarily mean that women are less poor but that their voices are less heard, especially given the higher illiteracy among women. Gender discrimination is an issue when it comes to poverty definitions, thus NGOs should target those areas where governments fail.

Tab. 8.3 BPL card possession, according to urban/rural areas and gender

BPL card	Urban/rural areas/ gender	urban (n=134)	rural (n=70)	female (n=75)	male (n=129)
	BPL card		38.1	61.4	28.0
no BPL card		61.9	38.6	72.0	43.4
Total		100.0	100.0	100.0	100.0

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

Tab. 8.4 Insurance

Insurance	Frequencies	
	absolute	%
yes	194	95.1
n.a.	10	4.9
Total	204	100.0

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

95.1% of all CCISB members stated they had an insurance (Tab. 8.4). This high percentage may be regarded as a success because as was outlined in Chapter 4, the organization does not put pressure on its members to get insurance. Thus, the argumentation used appears to have been convincing. Almost all of the interviewees had “Afat Vimo disaster insurance”, a micro insurance scheme introduced by AID-MI and propagated by CCISB. Especially in areas that are as prone to disaster, such as in Gujarat, the vulnerability of these micro businesses has been softened.

8.2

Unique selling propositions (USPs)

Joining CCISB had, in the view of the micro entrepreneurs interviewed, changed some of their unique selling points (USPs). There were two main unique selling points of their businesses reported by the interviewees: “**good behavior**” (before: 29%; after: 22.8%, Tab. 8.5), and “**good quality of products**” (before: 21.6%, after: 18.6%). In other countries, these USPs would be referred to as “**quality and service**” or described by the metaphor “the client is king”. It is interesting that although the exact wording in the Indian micro sector differed from the Western formulation, the concepts are the same. After the interviewed micro entrepreneurs had joined CCISB, the two cited selling propositions remained the two most important, but other aspects also gained on importance, such as “**quantities of products**” (before: 4.2%; after: 8.1%) or “**regularity**” (before: 10.3%:

Tab. 8.5 Unique selling propositions, before and after joining CCISB

Unique selling propositions	Before joining CCISB		After joining CCISB	
	Absolute	%	absolute	%
quality of products	117	21.6	149	18.6
quantities of products	23	4.2	65	8.1
cleanliness	65	12.0	92	11.5
good behavior	157	29.0	175	22.8
good service	63	11.6	102	12.7
good location	61	11.3	106	13.2
regularity	56	10.3	105	13.1
Total	542	100.0	801	100.0

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

after: 13.1%). This indicates that besides the universal concepts behind businesses, the awareness of what accounts for business success and what strategies must be applied, had grown. The micro entrepreneurs interviewed had diversified their unique selling points by emphasizing these aspects to a greater extent than before they had joined the business association CCISB.

There were noteworthy **differences between the districts** as to reported USPs. In Ahmedabad, a mega city offering a great variety of choice, micro entrepreneurs particularly focused on the *quality* of their products to be noticed in all the competition (before: 77.3%; after: 93.2%, Tab. 8.6). “Good behavior” was crucial for all interviewees from Sabar Kantha after they had joined CCISB, but only 55% of the interviewees from Patan felt this aspect would help their businesses. Considering that the interviewed Muslim entrepreneurs are a minority in this district, and not particularly liked, the emphasis on this aspect would be crucial to avoid arousing anger. “Good service” was a further major USP in Sabar Kantha, too, again reflecting the more difficult social situation of Muslim micro entrepreneurs in this area. “Quantities of products” were not considered an important USP in Patan (before: 1.7%; after: 5%), as compared to other districts (between 18.6% and 61%). In an agricultural setting, where a majority of micro entrepreneurs are farmers and already sell large quantities at very low prices, as the example of the green gourd-vegetable in Chapter 7 illustrated, a particular focus on large quantities is not necessary. In contrast, in Sabar Kantha, where many micro entrepreneurs were selling groceries, having a large stock is central. Neither education, nor gender was a significant variable concerning USPs. The only difference between female and male interviewees was that more women than men indicated that “cleanliness” was particularly important (table not shown).

Tab. 8.6 Unique selling propositions before and after joining CCISB, according to districts

District USPs	Before joining CCISB				After joining CCISB			
	Ahmeda- bad (n=44)	Kutch (n=59)	Patan (n=60)	Sabar Kantha (n=41)	Ahmeda- bad (n=44)	Kutch (n=59)	Patan (n=60)	Sabar Kantha (n=41)
quality of products	77.3	35.6	56.7	68.3	93.2	47.5	70.0	92.7
quantities of products	38.6	6.8	1.7	2.4	59.1	18.6	5.0	61.0
cleanliness	81.8	18.6	28.3	2.4	93.2	27.1	30.0	41.5
good behavior	95.5	88.1	36.7	100.0	97.7	98.3	55.0	100.0
good service	54.5	28.8	26.7	14.6	65.9	32.2	33.3	82.9
good location	38.6	25.4	45.0	4.9	56.8	37.3	46.7	75.6
regularity	84.1	20.3	5.0	9.8	90.9	39.0	10.0	87.8
% of total	21.6	28.9	29.4	20.1	21.6	28.9	29.4	20.1

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

The patterns described between the districts reflect to what extent USPs differ between geographic locations and business types. This underlines once more that **certain business types need certain strategies**: if micro entrepreneurs are to be supported effectively, their location, context and business types have to be taken into account. There is no general “solution” to improving the situation of a micro business. Rather, different perspectives and strategies have to be applied. CCISB has not yet categorized the business types of its members. This is a crucial task if the organization wants to train its members appropriately in order to improve their economic conditions.

8.3

Expenses for/investments in quality of life

The two main investments for quality of life – a wording that encloses the Western concept of social security systems (Chapter 5) – were “social purposes” (before: 40.4%, after: 26.8%) and “festivities” (before: 29.8%; after: 21.7%, Tab. 8.7). These two priorities did not change once the micro entrepreneurs had joined CCISB – they continued to mainly invest in these two categories. Although savings did increase (from 2.2% before to 22.9% after), it still remained third priority. Again it is made clear that personal financial decisions and priorities of investment can increase or decrease economic vulnerability. Before joining CCISB, a cumulative 70.2% of interviewees invested in social purposes and festivities – building up their social capital in a traditional cultural sense – and

Tab. 8.7 Investments in quality of life

Investment in quality of life	Before joining CCISB		After joining CCISB	
	absolute	%	absolute	%
nothing	24	6.6	6	0.9
child education	72	19.7	126	19.4
entertainment	5	1.4	53	8.3
festivities	109	29.8	141	21.7
savings	8	2.2	149	22.9
social purposes	148	40.4	174	26.8
Total	366	100.0	650	100.0

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

only 2.2% thought it was important to regularly save money. Thus, investment in social capital in the form of spending money on social events happened to the detriment of financial capital. Even though savings did increase, it seems likely that the savings were earmarked for social purposes and festivities and not for long-term investment. Spending on entertainment also increased after joining CCISB, from 1.4% to 8.3%. In contrast, the proportion of those investing in their children's education remained at around 19%. This points to the necessity to make micro entrepreneurs understand that there is a different form of social capital, that is, joining organizations or networks like CCISB. They can provide some form of security that is a direct result of being part of that network/association and – through its strategies, training and financial start-up assistance – can directly translate into long-term financial advantage. Clearly, while a traditional cultural concept of social capital with investments for social purposes is wide spread, a different concept of social capital in the form of investing in security systems like business associations or credit-, savings- and insurance-schemes is not yet fully understood.

The **differences between the districts** under study as to the investments in quality of life are noteworthy. The fact that none of the interviewees from Sabar Kantha could save and 29.3% could not invest in quality of life before they joined CCISB emphasizes to what degree the riot affected Muslim population is economically vulnerable (Tab. 8.8). This population group remains vulnerable, with close to 10% of the interviewed persons still not able to invest in quality of life after joining CCISB. However, after the interviewed micro entrepreneurs became CCISB beneficiaries, 90.2% indicated that they were saving towards improving their quality of life. This remarkable development indicates that these micro entrepreneurs do understand the benefit of saving money; they had probably been hindered in doing so before due to difficult circumstances. 82.9% from Sabar Kantha, where the overall education levels were the highest of all

Tab. 8.8 Investments in quality of life before and after joining CCISB, according to district

District	Before joining CCISB			After joining CCISB			
	Ahmedabad (n=43)	Kutch (n=59)	Patan (n=60)	Ahmedabad (n=44)	Kutch (n=59)	Patan (n=59)	Sabar Kantha (n=41)
Investment for quality of life							
nothing	0.0	15.3	5.0	0.0	1.7	1.7	9.8
child education	46.5	32.2	48.3	61.4	49.2	61.0	82.9
entertainment	0.0	6.8	1.7	2.3	28.8	6.8	75.6
festivities	76.7	54.2	71.7	90.9	61.0	67.8	61.0
savings	9.3	6.8	0.0	95.5	88.1	30.5	90.2
social purposes	95.3	50.8	80.0	97.7	76.3	83.1	90.2
% of total	21.2	29.1	29.6	21.7	29.1	29.1	20.2

Tab. 8.9 Investments in quality of life before and after joining CCISB, according to religion

Religion	Before joining CCISB		After joining CCISB	
	Hindu (n=72)	Muslim (n=128)	Hindu (n=71)	Muslim (n=129)
Investment for quality of life				
nothing	1.4	18.0	1.4	3.9
child education	44.4	29.7	54.9	66.7
entertainment	2.8	2.3	8.5	35.7
festivities	79.2	38.3	83.1	61.2
savings	4.2	3.9	62.0	81.4
social purposes	83.3	66.4	88.7	83.7
% of total	36.0	64.0	35.5	64.5

Source Tab. 8.8 and 8.9: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

districts, indicated they would invest in their children's education, compared to just 49.2% in Kutch and 61.4% in Ahmedabad. It would seem that people with a comparatively good education themselves know its value and make sure that their children have the same opportunities.

The differences between **Hindus and Muslims** with respect to investment priorities are presented in Tab. 8.9: more interviewed Hindus than Muslims invested in festivities (Hindus: 83.1%; Muslims: 61.2%); more Muslims emphasized savings (Muslims: 81.4%; Hindus: 62%) or child education (Muslims: 66.7%; Hindus: 54.9%). This indicates that minority and majority groups set different investment priorities due to different degrees of vulnerability to man-made disasters. For those Muslims who lost everything during the last riots, saving would be a priority in order to prevent a similar shock and to rebuild the assets that were destroyed. Only 30.5% of the interviewees from Patan indicated that they were saving money in view of improving quality of life; investments were rather made for social purposes (83.1%) and in festivities (67.8%). Like other districts, Patan is prone to disasters, yet the spending behavior here adds economic to physical vulnerability.

An NGO, like CCISB, which distributes funds to its members, should take **individual spending behavior** into account. Although the organization's Revolving Fund is bound to business investments, the fact that people continue to take loans and invest their own resources in social purposes or festivities should make CCISB redefine its approach. As long as people do not invest their own resources frugally and with long-term economic perspectives, they will continue to get indebted and be economically vulnerable. The general acceptance of "social investments" as determinant of life in India, no matter how poor a person is, should be questioned by development workers even when they are from the same cultural background. Traditional social networks should maybe not be regarded as means to replace financial resources that are needed in times of disaster.

Annual amounts spent for quality of life. An overall majority of interviewees increased the annual amounts they invested in their quality of life (Tab. 8.10): whereas before joining CCISB, 30.3% had reported annual amounts of up to 1000 Rs, afterwards, 28.6% reported they invested between 1001-3000 Rs, and another 32.5% now indicated annual amounts of 3001-5000 Rs. Before, only 5% of the interviewees could afford to spend more than 10 000 Rs per year, whereas after becoming CCISB members, 20.2% were spending this amount. As was shown before, almost all interviewees started saving, and "savings" are one of the investment categories for quality of life. However, not only savings are the underlying reason for increased investments, as **district specific analyses** outline (Tab. 8.10). The district of Patan has the lowest proportion of micro entrepreneurs saving money as a means of improving quality of life, and the highest share spending more than 10 000 Rs per year for quality of life (58.3%, as compared to averages around 7% in all other districts). These figures indicate that in rural areas with relatively low incomes and savings, amounts spent for social purposes and social capital tend to be excessively high.

Tab. 8.10 Annual amounts spent for/invested in quality of life before and after joining CCISB,, according to districts

District Annual amounts spent for/invested in quality of life	Before joining CCISB				After joining CCISB					
	Ahmedabad (n=43)	Kutch (n=57)	Patan (n=60)	Sabar Kantha (n=41)	Total (n=201)	Ahmedabad (n=44)	Kutch (n=58)	Patan (n=60)	Sabar Kantha (n=41)	Total (n=203)
nothing	0.0	14.0	3.3	29.3	10.9	0.0	0.0	1.7	7.3	2.0
1-1000 Rs	14.0	50.9	5.0	56.1	30.3	0.0	12.1	0.0	2.4	3.9
1001-3000 Rs	72.1	33.3	5.0	7.3	27.9	15.9	55.2	3.3	41.5	28.6
3001-5000 Rs	7.0	1.8	23.3	2.4	9.5	59.1	31.0	8.3	41.5	32.5
5001-10000 Rs	7.0	0.0	48.3	2.4	16.4	18.2	1.7	28.3	0.0	12.8
> 10000 Rs	0.0	0.0	15.0	2.4	5.0	6.8	0.0	58.3	7.3	20.2
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Tab. 8.11 Annual amounts spent for/invested in quality of life before and after joining CCISB, according to urban and rural areas

Urban/rural areas Annual amounts spent for/invested in quality of life	Before joining CCISB		After joining CCISB	
	urban (n=131)	rural (n=70)	urban (n=133)	rural (n=70)
nothing	9.9	12.9	1.5	2.9
1-1000 Rs	29.8	31.4	6.0	0.0
1001-3000 Rs	40.5	4.3	30.8	24.3
3001-5000 Rs	8.4	11.4	38.3	21.4
5001-10000 Rs	9.2	30.0	12.0	14.3
> 10000 Rs	2.3	10.0	11.3	37.1
Total	100.0	100.0	100.0	100.0

Source Tab. 8.10 and 8.11: UNIVERSITY OF BASEL,
DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITI-
GATION INSTITUTE, AHMEDABAD, INDIA. Social Sci-
ence Survey in Sept./Oct. 2008 in selected commu-
nities of the Cities of Ahmedabad, Bhuj (District of
Kutch) and Modasa (District of Sabar Kantha) and
in villages of the District of Patan, Gujarat. Princi-
pal investigator: N. SLIWA

Tab. 8.12 Annual amounts spent for/invested in quality of life before and after joining CCISB, according to gender

Annual amounts spent for/invested in quality of life	Gender	Before joining CCISB		After joining CCISB	
		female (n=72)	male (n=129)	female (n=74)	male (n=129)
nothing		11.1	10.9	1.4	2.3
1-1000 Rs		29.2	31.0	5.4	3.1
1001-3000 Rs		45.8	17.8	32.4	26.4
3001-5000 Rs		6.9	10.9	41.9	27.1
5001-10000 Rs		5.6	22.5	13.5	12.4
> 10000 Rs		1.4	7.0	5.4	28.7
Total		100.0	100.0	100.0	100.0

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

Urban/rural areas. In fact, more than three times as many rural than urban interviewees (rural: 37.1%; urban: 11.3%, Tab. 8.11) spent more than 10 000 Rs per year, an amount they most probably did not have. **Gender specific differences** as to investments and spending are significant (Tab. 8.12): nearly six times more male than female interviewees reported they spent more than 10 000 Rs per year for their quality of life (male: 28.7%; female: 5.4%). A majority of interviewed women spent only up to 5000 Rs per year (41.9%), whereas most men spent more than 10 000 Rs annually. As was seen before, women tend to handle money with more care; the fact that they spend lower amounts on quality of life supports contributes towards confirming this gender specific structural pattern.

With respect to development efforts, these patterns highlight that the handling of finances, spending patterns and priorities of investment have to be looked at very specifically, not from the macro level of “the poor” but from the micro level of the individual households. This perspective is currently missing not only in CCISB’s distribution of the Revolving Fund, but in development work in general. Culturally accepted norms, such as spending exorbitant amounts for social events or saving only in order to increase social expenses should, under the light of this survey, be questioned. Given the different financial behavior of women, further efforts towards empowerment of women especially in rural contexts could help alleviate poverty not only at the micro level of individual households, but at the macro level of society.

8.4 Factors of business and personal success

A majority of 55% of the interviewees stated their business was successful (Tab. 8.13). Only 13.9% admitted it needed improvement. However, saying the business situation was “average” (31.1%) was also an indirect way of stating that it was not going too well – and this was the intention behind the carefully chosen wording of the question. From this perspective, it may be interpreted that a cumulative 45.1% were not completely content with their business situation. This is significant if one considers that all of the interviewees were CCISB members and that a majority of them had already been supported by the organization’s microfinance scheme. CCISB membership therefore, is not a guarantee for business success. This illustrates again that microfinance schemes alone are not necessarily effective. Individual behavior, in particular regarding finances, investment priorities and business strategies, are important factors contributing to or preventing business success. When asked about the improvement they would like to see in their business, a majority of the interviewees stated “I need more funds”, or “I need more Revolving Fund” (table not shown). On the one hand, this shows that finances are still perceived as a major problem, respectively the lack thereof. On the other hand, these statements also indicate that the micro entrepreneurs have not yet used their own financial potential to its full extent; rather than re-assessing how they could use their own scarce resources, they demand more funds from other sources. This again points out the need for more guidance with respect to finances: in spite of having access to microfinance schemes, money is still regarded as a problem and one can assume that also the handling of money is a problem. CCISB’s approach to distribute funds without financial training and control mechanisms for savings needs to be rethought.

Tab. 8.13 Business success, according to districts

Business success \ District	Ahmedabad (n=44)	Kutch (n=59)	Patan (n=58)	Sabar Kantha (n=41)	Total (n=202)
successful	36.4	40.7	60.3	87.8	55.0
average	63.6	27.1	32.8	0.0	31.1
needs improvement	0.0	32.2	6.9	12.2	13.9
Total	100.0	100.0	100.0	100.0	100.0

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

District specific differences on opinions of business success were noticeable (Tab. 8.13). Whereas 87.8% of micro entrepreneurs in Sabar Kantha considered their business successful, only 36.4% of interviewees in Ahmedabad thought the same. These differences in perception can be explained as follows: in Sabar Kantha, the consequences of the riots were death, loss of everything and/or hunger. Here, every improvement was seen as a big step. During the in-depth interviews of the case studies, people mentioned they were happy with their situation now, because “we can eat Chapatis (Indian bread) twice a day, and we had nothing to eat before”. In Ahmedabad, it is likely that many micro entrepreneurs felt that their business situation had developed well but they were not satisfied yet and wanted to improve even more. Thus, 63.6% of interviewees in this district stated their business situation was “average”. An interview with Yasminben from Ahmedabad (case study presented in Chapter 4) supports this argument: although Yasminben had been able to save 70 000 Rs during the year, she felt her business situation was “average” and she hoped to do better in the following year.

Interestingly, although Patan is a district with severe problems as to income generation, social expenses, loans, lack of infrastructure and material, 60.3% of the interviewees here stated their business was successful. Given the facts, these statements might have a different rationale: either, the micro entrepreneurs of this district are very much aware of the misery of their situation and decided to not admit it, or they prefer not to face reality and really feel that their business situation as good in spite the facts. Self-knowledge is the first step to self-improvement, and NGOs can play an important role therein, by raising awareness and by providing training.

The higher the **education levels**, the higher too, the percentage of those stating their business was successful (Tab. 8.14). Whereas only 40% of the illiterate micro entrepreneurs felt that they were doing fine, 86.2% of those who had finished secondary school, felt the same. Higher education levels also mean that people have greater knowledge, more training and more access to information.

Tab. 8.14 Business success, according to education levels

Education	uneducated (n=40)	primary school (n=84)	middle school (n=42)	secondary school (n=29)	higher education (college, university) (n=5)
Business success					
successful	40.0	45.2	61.9	86.2	100.0
average	40.0	38.1	26.2	10.3	0.0
needs improvement	20.0	16.7	11.9	3.4	0.0
Total	100.0	100.0	100.0	100.0	100.0

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

This translates into more success, and is again a key indicator of the importance of knowledge and capacity-building for an improvement of socio-economic conditions.

Opinions about business success appear to be linked to the **capacity to save** (Tab. 8.15): whereas no one who did not save money said their business went well, 54.5% of those saving between 51-80 Rs per day stated their business was successful. It would seem that saving is a key factor of economic success as it can start a cycle of positive development, strengthening self-reliance and minimizing dependency on other financial sources. A cumulative 95.6% stated their personal situation was either “much better” or “better” than before CCISB membership (Tab. 8.16). Considering that the proportion of those who started saving after joining the organization is very similar, with 96.6% (Tab. 7.34), it becomes apparent that nearly everyone who was able to save felt an improvement of their personal situation. For an organization like CCISB, it would seem important to integrate this perspective into their development efforts.

Tab. 8.15 Business success, according to amount saved per day by the family

Amount saved per day by the family	no savings (n=6)	1-20 Rs (n=49)	21-50 Rs (n=98)	51-80 Rs (n=33)	81-100 Rs (n=7)	> 100 Rs (n=7)
Business success						
successful	0.0	57.1	56.1	54.5	57.1	71.4
average	16.7	30.6	30.6	36.4	28.6	28.6
needs improvement	83.3	12.2	13.3	9.1	14.3	0.0
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

Tab. 8.16 Personal situation now and before joining CCISB

How is your situation now, as compared to before CCISB?	absolute	%	cumulative %
much better	47	23.2	23.2
better	147	72.4	95.6
same	9	4.4	100.0
Total	203	100.0	

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

The micro entrepreneurs interviewed generally related the capacity to save to “not to pay high interest rates” (19.4%). These two factors are interlinked: without savings – own resources – one has to borrow money from private money lenders and pay high interest rates. These interest rates lower the profits and consequently, the respective savings. Just as without savings, a vicious cycle of dependency and economic vulnerability is the consequence, so too can savings start a positive cycle of development, leading to business success and improvement of a micro entrepreneur’s economic situation. The interviewed micro entrepreneurs know about these relations from their experience, independent of education.

However, the **opinions about what the main factors of business success are differed between the districts** under study (Tab. 8.17) as well as **between the sexes** (Tab. 8.18). In Patan, a rural district with remote villages lacking basic infrastructure, “having good business assets” was considered a main factor of business success (60% of interviewees). In Sabar Kantha and Ahmedabad, this factor was only mentioned by 24.4% and 31.8% of interviewees respectively. In contrast, 100% of micro entrepreneurs in Ahmedabad and 91.5% in Kutch indicated savings were crucial for business success; in Patan this was mentioned by 51.7% of interviewees. This pattern would seem to reflect the structurally higher interest rates and shorter duration of credits in urban areas, where as mentioned above, business is fast and demand high. Interestingly, 92.7% of interviewees in the predominantly Muslim areas of Sabar Kantha indicated “reputation in society” as fundamental for business success; in Patan and in Kutch only 25% and 28.8% felt the same way. This result underlines the extent to which the interviewed riot affected Muslims in Sabar Kantha are aware of their minority status and their position in the limelight of mainstream society. Muslims in India are generally regarded with suspicion particularly as many feel they are likely to be more loyal to Pakistan than to India. “Having a good reputation in society”, therefore, is a contextually relevant and important Muslim business strategy.

Concerning **gender specific differences** (Tab. 8.18), 90.7% of interviewed female micro entrepreneurs felt “savings” were a key factor of business success (men: 76.7%). Furthermore, 68% of female interviewees considered it important to “not to pay high interest rates” (men: 41.9%). A majority of men (46.5%), on the other hand, considered “reputation in society” a crucial factor of success (women: 34.7%). These figures might reflect the different “worlds” that men and women move in – women are not judged by their reputation as much and are active in other business sectors so they do not need to invest as much here and can afford to be more pragmatic. Men, on the other hand, might lose business if they are not “in” and do not have a good reputation. These figures also highlight that women in these districts have a more pragmatic approach to finances and business strategies, focusing on a careful use of money by increasing savings and avoiding “unnecessary costs” such as interest rates. Men in these districts tend to emphasize social-status oriented aspects, such as “reputation”, leading to budgets for “quality of life”, including social expenses, above 10 000 Rs per year. Considering that women generally did not spend more than 5000 Rs on social expenses, further supports the argument that social status is a predominantly male issue, and may even be more so in a traditionally male society like in India.

Tab. 8.17 Factors of business success, according to districts

District	Ahmedabad (n=44)	Kutch (n=59)	Patan (n=60)	Sabar Kantha (n=41)
Factors of business success				
having good business assets	31.8	47.5	60.0	24.4
reputation in society	36.4	28.8	25.0	92.7
not to pay high interest rates	90.9	45.8	31.7	46.3
savings	100.0	91.5	51.7	92.7
regular business	45.5	42.4	26.7	70.7
other	0.0	1.7	0.0	7.3
% of total	21.6	28.9	29.4	20.1

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

Tab. 8.18 Factors of business success, overall and according to gender

Gender	absolute	%	female (n=75)	male (n=129)
Factors of business success				
having good business assets	88	16.3	37.3	46.5
reputation in society	86	15.9	34.7	46.5
not to pay high interest rates	105	19.4	68.0	41.9
savings	167	30.9	90.7	76.7
regular business	90	16.7	38.7	47.3
other	4	0.7	2.7	1.6
Total	540	100.0	36.8	63.2

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

Definition of personal success. The most important factor defining personal success indicated was the possession of property (24.2%), followed by “being able to pay social expenses without hesitation” (20.9%) and “individual savings” (14.5%, Tab. 8.19). A privately owned home and a good bank account can be regarded as universal factors defining personal success, no matter whether in Europe or in India. However, the fact that “being able to pay social expenses without hesitation” was also a constitutive factor of personal success in these districts, illustrates to what extent personal success is linked to social status, in particular to traditional social capital in the form of social expenses. Even though savings are considered important, spending money on social events in order to build up social capital in this traditional cultural sense is even more important.

Again, there were some distinct **differences between the districts** under study (Tab. 8.20): whereas sending children to school is considered particularly by micro entrepreneurs in Sabar Kantha to be a sign of personal success (78%), only 30.5% in Patan (high illiteracy) felt the same. “Getting respect/attention” was particularly important in the two districts where a majority of the interviewees were Muslims: in Ahmedabad (86.4%) and Sabar Kantha (53.7%). Sabar Kantha is also the district with the highest percentage of those stating that individual

Tab. 8.19 Definition of personal success

Definition of personal success	absolute	%
having a personal house	187	24.2
the children go to school	110	14.2
being able to give credit/loan to someone else	27	3.5
getting respect/attention	89	11.5
being able to pay social expenses without hesitation	161	20.9
being invited to social events	84	10.9
having individual savings	112	14.5
other	2	0.3
Total	772	100.0

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

Tab. 8.20 Definition of personal success, according to districts

Definition of personal success	Ahmeda- bad (n=44)	Kutch (n=58)	Patan (n=59)	Sabar Kantha (n=41)
having a personal house	93.2	89.7	93.2	95.1
the children go to school	70.5	50.0	30.5	78.0
being able to give credit/loan to someone else	6.8	6.9	0.0	48.8
getting respect/attention	86.4	29.3	20.3	53.7
being able to pay social expenses without hesitation	90.9	86.2	59.3	87.8
being invited to social events	56.8	36.2	16.9	68.3
having individual savings	79.5	37.9	35.6	82.9
other	0.0	1.7	1.7	0.0
% of total	21.8	28.7	29.2	20.3

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

savings were part of personal success (82.9%). Furthermore, nearly every second interviewee in Sabar Kantha stated that “being able to give credit/loan to someone else” was an indication of personal success. In Patan and Kutch, very few felt this aspect to be of relevance (0% and 6.9%, respectively). Own resources, and being able to lend resources to others in need are indicators of financial self-reliance and independence. Given the fact that the riot affected Muslims in Sabar Kantha partly had to sell all of their personal belongings in order to buy food (this was mentioned during in-depth interviews for the case studies), it is understandable that financial self-reliance is thought to be crucial among the interviewees in this district.

8.5

Disaster impact and disaster risk reduction

Disasters and how they impacted or were handled also contributes to the success or failure of a micro enterprise. The three main disaster impacts reported in the survey (Tab. 8.21) were

- loss of income (42%)
- loss of business because of a destruction of the infrastructure (24.8%)
- loss of products (22.7%).

Obviously, these three impacts are interlinked: destruction of business infrastructure or loss of products is likely to lead to loss of income. Only 9.7% of all interviewees stated they had suffered no damage during the last disaster. Thus, almost 90% of the interviewees experienced some kind of damage. Differences **according to districts** (Tab. 8.22) and **religion** (Tab. 8.21) are apparent. Relatively more Muslim than Hindu interviewees suffered from at least one of the above impacts. Whereas just 36.1% of the Hindu interviewees had experienced a complete loss of their business related to destruction of infrastructure, 52.7% of Muslims interviewed, or every second Muslim, and experienced the same. This shows that segments of society that are prone to man-made disasters are even more vulnerable than others, because man-made disasters are an extra burden, striking them in addition to the other disasters that the whole of society might experience.

97.6% of the interviewees in Sabar Kantha (all Muslim) reported they had suffered from a complete destruction of their infrastructure and consequently, a loss of their business during the last riots; in Patan only 38.3% had experienced similar losses for the same reason. In Patan, the micro entrepreneurs had different problems, with 98.3% suffering from a loss of income due to too little or too much water destroying their harvests.

The fact that 81.8% of the predominantly Muslim interviewees from Ahmedabad stated they had not suffered from any damage during the riots of 2002 against Muslim businesses is of note. This could be due to the size of the

Tab. 8.21 Disaster impact, overall and according to religion

Disaster impact \ Religion	absolute	%	Hindu (n=72)	Muslim (n=129)
destruction of infrastructure/loss of business	95	24.8	36.1	52.7
loss of products	87	22.7	27.8	51.9
loss of income	161	42.0	77.8	79.1
no damage	37	9.7	19.4	17.8
other	3	0.8	2.8	0.8
Total	383	100.0	35.8	64.2

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

Tab. 8.22 Disaster impact, according to districts

Disaster impact \ District	Ahmedabad (n=44)	Kutch (n=59)	Patan (n=60)	Sabar Kantha (n=41)
destruction of infrastructure/loss of business	4.5	50.8	38.3	97.6
loss of products	2.3	69.5	6.7	100.0
loss of income	15.9	91.5	98.3	100.0
no damage	81.8	0.0	0.0	2.4
other	0.0	5.1	0.0	0.0
% of total	21.6	28.9	29.4	20.1

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

slum community of Behrampura, where a majority of interviewees were living. With around 120 000 inhabitants, most of whom are Muslims, this community may have been too intimidating for the violent mobs who burnt countless Muslim houses and businesses. One might suppose that the targets of the 2002 riots were chosen with intention and care.

What became apparent in the survey is that structural conditions in certain districts influence how people prepare for disaster. In a district like Kutch, for example, with excessive interest rates, only 66.1% of the interviewees were able to accumulate extra savings to mitigate the next disaster occurrence; 80% to 92.7% of micro entrepreneurs in other districts were able to save particularly for this reason (Tab. 8.23). Given a chance, micro entrepreneurs in Kutch would do more (39%, as compared to a maximum of 7% in other districts). Micro entrepreneurs in Sabar Kantha are particularly active when it comes to risk reduction

measures, scoring highest over all districts for measures discussed in this survey. This illustrates to what extent the riot affected and comparatively well educated Muslim population emphasizes disaster preparedness. In 99.5% of all cases, micro entrepreneurs had disaster insurance. This is a very positive development as 19 different types of disaster are covered by this scheme up to a total of 95 000 Rs of damage (Tab. 8.24). Although generally, disaster insurance is an excellent tool to prepare for disaster impact, it does not include man-made disasters, such as riots. The various consequences of different disaster types in different areas should lead to context sensitive risk reduction measures. Furthermore, individual efforts to build up disaster resilience, such as savings, have to be promoted particularly in districts where a high proportion of micro entrepreneurs stated they could not accumulate extra savings or were unable to do something to reduce their disaster risk.

Tab. 8.23 Disaster risk reduction measures, according to districts

District	Ahmedabad (n=44)	Kutch (n=59)	Patan (n=60)	Sabar Kantha (n=41)
Disaster risk reduction measures				
disaster insurance	100.0	100.0	100.0	97.6
improvement of construction/infrastructure	13.6	6.8	8.3	26.8
attending disaster risk trainings by AIDMI	9.1	5.1	6.7	22.0
extra savings to handle disaster occurrence	84.1	66.1	80.0	92.7
I'd like to do more, but I'm not able to	0.0	39.0	3.3	7.3
other	2.3	1.7	1.7	0.0
% of total	21.6	28.9	29.4	20.1

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

Tab. 8.24 Disaster risk reduction measures

Disaster risk reduction measures	absolute	%	% of cases
disaster insurance	203	45.9	99.5
improvement of construction/infrastructure	26	5.9	12.7
attending disaster risk trainings by AIDMI	20	4.5	9.8
extra savings to handle disaster occurrence	162	36.7	79.4
I'd like to do more, but I'm not able to	28	6.3	13.7
other	3	0.7	1.5
Total	442	100.0	216.7

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

8.6 Views on CCISB – how micro entrepreneurs evaluate the work of CCISB

Whether or not and to what extent the business association itself was considered a factor of one's own personal business success was assessed directly. At the end of the questionnaires used in the survey, two questions regarding CCISB as an organization were asked. The intention was to have micro entrepreneurs express their personal views, impressions and suggestions as to necessary improvements. These opinions, classified as "string variables", cannot be analyzed statistically. Instead, the views are summarized and interesting comments discussed in more detail.

A majority of the interviewees were very satisfied with CCISB's efforts, as some examples of statements summarized below point out:

- "CCISB does good work"
- "...helps poor people"
- "...is good for small people like us"
- "...is trustworthy"
- "...works fast"
- "I feel that CCISB is my own federation"
- "CCISB is a good organization – which organization does such work?"
- "CCISB is the world's first organization to give useful, helpful services to poor people".

CCISB's interest free Revolving Fund was seen by many as a positive and unique activity. However, several interviewees expressed their wish for higher amounts and more time to pay back the loans taken from it. Many micro entrepreneurs also felt that CCISB should cover more people and "grow fast".

Regarding suggestions for improvements, some interesting points were mentioned:

- "CCISB should help farmers"
- "...do irrigation and water-related work for farmers"
- "...should give credit for farming related activities"
- "...should support farmers financially with respect to seeds/embankment-fertilized seeds"
- "...should do some work concerning crop insurance"
- "...should support animal husbandry"
- "...should develop home-based businesses"
- "...should do something regarding the education of children"

- “...should start business-related activities and business trainings”
- “...should have offices and networks in the local areas” (not just the headquarters in Ahmedabad or in the city of Bhuj).

Although CCISB is widely recognized as a helpful and trustworthy organization for the poor, the suggestions for improvements are very specific and certainly of great importance. The suggested improvements can be categorized into three major challenges for the future:

- building up infrastructure in all districts where CCISB is involved. For the time being, all procedures have to go through the Ahmedabad headquarter that CCISB shares with AIDMI.
- starting training programs for micro entrepreneurs with respect to business development and the handling of finances
- intensifying efforts in the rural areas.

8.7

Conclusion – main findings

To conclude the quantitative analysis from Chapters 7 and 8 of business and investment strategies of micro entrepreneurs who joined CCISB, selected findings and structural patterns are outlined and summarized in Box. 8.1. Chapter 9, then, will turn attention to the comparative analysis of a control group. Chapter 10 will deal with main findings of the whole survey and the implications in more detail.

Dimension	Observation/Finding
Education levels/ gender aspects	<ul style="list-style-type: none"> • Education levels are generally low with the exception of the Muslim minority that focuses on education as a means of upward social mobility. Generally, the education levels of women are lower than those of men, particularly so in rural areas like Patan. This has significant consequences as to the handling of finances, investment and business strategies. The lower the education levels, the lower are income, profit and savings, and the more is invested in social capital in the form of festivities. • Women and men handle finances very differently: women generally use money more carefully than men, avoiding unnecessary costs through debts and high interest rates. Women prioritize savings and spend less money on investments in social status.
Business types	<ul style="list-style-type: none"> • A majority of the interviewed micro entrepreneurs were self-employed and owned their business. • Market structures between the districts differ: in mainly rural areas, agriculture and grocery shops are important as they provide basic daily supplies. In urban areas, in contrast, snack shops constitute a niche within a market that offers enough basic supplies. Textile work is a tradition in the districts of Ahmedabad and Kutch and constitutes an endogenous potential that could be used for international branding. Certain business types, such as textile or electric work, are gender specific. Needs and strategies of the respective micro entrepreneurs vary. • Also, unique selling propositions differ between geographic locations and business types, a factor that further supports the development of specific business strategies for specific business types and geographic contexts in order to alleviate poverty.

Box 8.1 Structural patterns – selected findings from the quantitative analyses of CCISB members

Dimension	Observation/Finding
Credit conditions	<ul style="list-style-type: none"> • Credit conditions differ between urban and rural areas. In urban areas with a fast moving economy, quick cash supply is demanded and the conditions of credit are secondary. In urban areas, interest rates are significantly higher (6-10% or > 10%) and the duration of credits is much shorter (daily or monthly) as compared to rural areas. • Private money lenders constitute the primary source of credit if no other access to finance is provided. Even after having access to microfinance schemes, a high rate of micro entrepreneurs continued to take credit from private money lenders, particularly so in rural areas where income and savings were comparatively low. • Illiteracy and exploitative credit conditions are linked to each other.
Loans and investments	<ul style="list-style-type: none"> • Although the loans taken by the interviewed micro entrepreneurs were mostly invested in business-related matters, health and social expenses were two other main reasons for taking loans. Generally, loan amounts were high (mostly above 5000 Rs). In spite of access to microfinance schemes, loans were still taken from other sources. • The shift from loaning from private money lenders to making use of microfinance schemes can result in a major economic improvement that allows people to use their own resources more frugally.
Income/profit/savings	<ul style="list-style-type: none"> • Generally, incomes, profits and savings increased with CCISB membership and access to microfinance. However, incomes remained low, with most interviewed micro entrepreneurs reporting daily revenues of between 1 to 4 Dollars. From this amount, expenses still had to be deducted and the rest divided among the number of people in a household. • Whereas before joining the organization, only 16.7% of interviewees used to save money, the percentage saving jumped to 96.6% after membership.
Social expenses/financial choices	<ul style="list-style-type: none"> • Social expenses are considered an investment in social capital. In a survival-oriented small-scale economy, social capital is seen as the only insurance poor people have. Enormous social expenses, therefore, are a rational choice of people. • Although the share of those taking loans for social expenses decreased, a high number of micro entrepreneurs reported to invest in "social purposes" and "festivities" with the respective amounts invested generally increasing. It is possible that there has been an internal shift of resources with savings now invested in social expenses and money being borrowed for business investments (external loans, CCISB's Revolving Fund). This would be a false incentive. • Own financial choices increase or decrease economic vulnerability which is partly determined by investment priorities chosen at the individual household level (short-term social expenses versus long-term investments in disaster risk reduction or businesses). For development efforts, this means one has to scale down a level further to the micro level of the individual households and the respective financial choices and priorities of investment.
Factors of success	<ul style="list-style-type: none"> • The main factors of success indicated by the micro entrepreneurs interviewed were individual savings and "being able to pay social expenses without hesitation". The relation between savings and social expenses is apparent. Social-status is an important investment and regarded as a reflection of personal success.
Critical review of CCISB	<ul style="list-style-type: none"> • CCISB needs to start educational and training programs related to the handling of finances, savings and business development. People should learn how to use their own resources properly before getting access to funds. • The organization needs to intensify its efforts towards women and in rural areas. • The organization lacks infrastructure and offices in the districts where it is involved.

Box 8.1 (continued) Structural patterns – selected findings from the quantitative analyses of CCISB members. Source: N. SLIWA 2009: Business and investment strategies of micro enterprises in disaster affected areas of Gujarat, India. Social Survey: Sept./Oct. 2008

9 Business and investment strategies of unorganized micro entrepreneurs

“Strength does not come from physical capacity.
It comes from indomitable will.” (MAHATMA GANDHI)

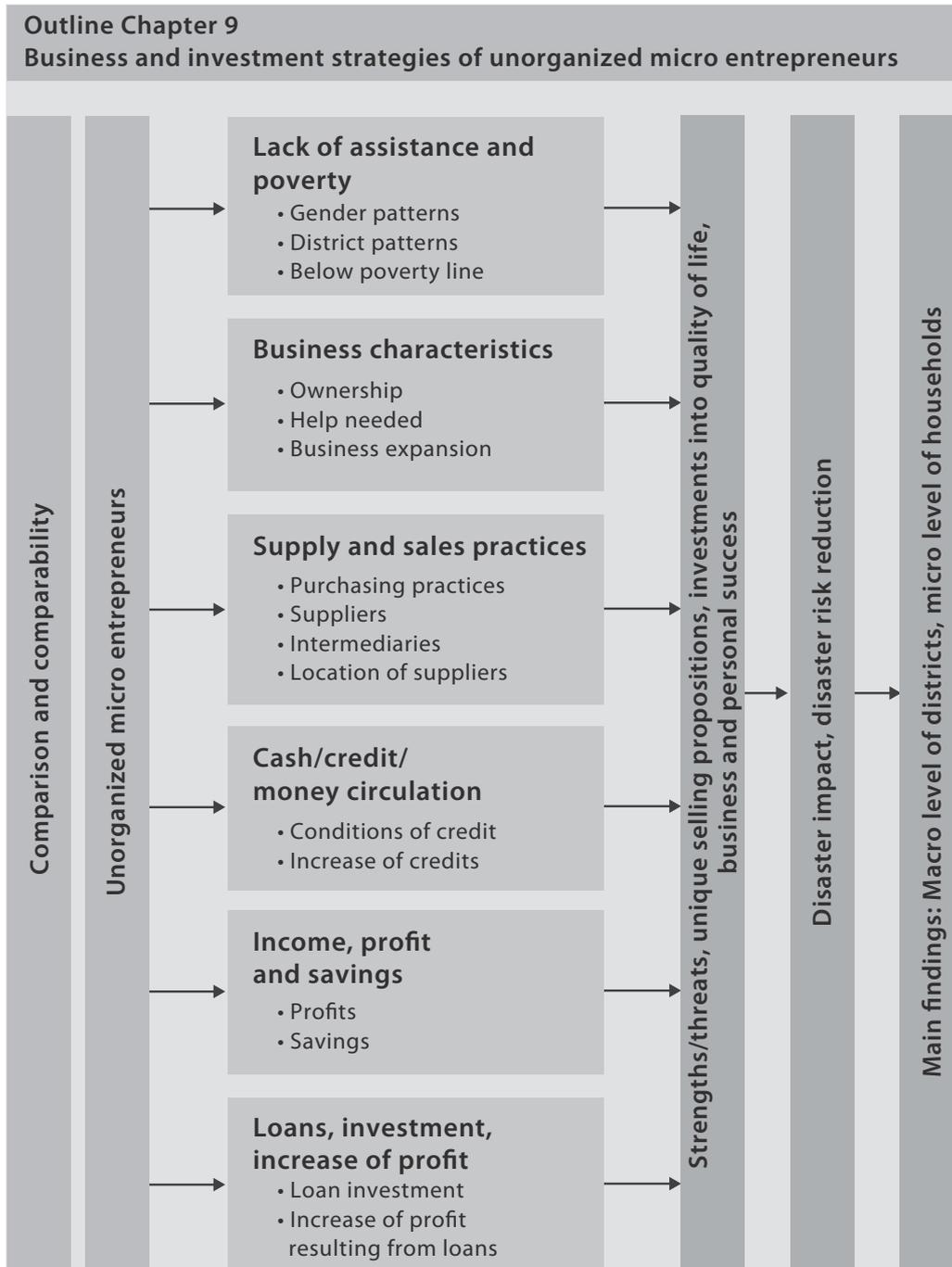


Fig. 9.1 Outline Chapter 9. Source: Author’s design

In order to understand whether or not and how membership in a Chamber of Commerce for Small Scale Industries and Commerce can affect business and investment practices, the following chapter analyses business and investment strategies of a control group of micro entrepreneurs not organized in such a chamber. Similarities and differences between the two groups are explored, with particular emphasis on whether chamber membership has a positive influence on business practices due to greater access to information and advice. The latter aspect is discussed in more detail in Chap. 10.

The same variables used to analyze the CCISB members were used for the control group as well: district, urban and rural areas, gender, religion, age, education, income, profits and savings, number of people and children per household etc. Differences between areas, districts, gender and religion concerning handling of financial matters were observed in the control group, too. As these relations were described in detail in previous chapters, the focus in this chapter is on *selected structural patterns of interest regarding income, profits and the handling of cash, credit and savings in relation to patterns observed in the CCISB member group*. This allows conclusions to be drawn (subchapter 9.7) not only on structural patterns of the micro sector but also on the impact of an NGO, like CCISB.

9.1 Comparability of groups – overview of sample and household information

Sample overview. The *structural patterns* between the study group of micro entrepreneurs organized in the Chamber for Commerce for Industry and Small Scale Businesses and the control group concerning religion, gender, age, education levels and number of children are very similar. Differences occur with regards to female literacy rates. Distribution of interviewees between all districts is relatively balanced (Tab. 9.1). The gender ratio is two thirds male and one third female (Tab. 9.2), with few women in rural areas being interviewed. As in

Tab. 9.1 Sample distribution in the districts under study

District	Frequencies	
	absolute	%
Ahmedabad	32	30.8
Kutch	30	28.8
Patan	22	21.2
Sabar Kantha	20	19.2
Total	104	100.0

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

Tab. 9.2 Sample distribution in urban/rural areas, gender and religion ratio

Urban/rural areas	Frequencies		Gender	Frequencies		Religion	Frequencies	
	absolute	%		absolute	%		absolute	%
urban	79	77.5	female	34	32.7	Hindu	41	39.8
rural	23	22.5	male	70	67.3	Muslim	62	60.2
Total	102	100.0	Total	104	100.0	Total	103	100.0

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

Tab. 9.3 Age of interviewees

Age of interviewees	21-30 years old (n=11)	31-40 years old (n=42)	41-50 years old (n=39)	51-60 years old (n=10)	61-70 years old (n=2)	Total
% of interviewees	10.6	40.4	37.5	9.6	1.9	100.0

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

the CCISB member survey, a majority of the interviewees lived in urban areas and were Muslims (60.2%, Tab. 9.2).

Household information. The main age groups represented by the control group are the 31-40 year olds (40.4%) and the 41-50 year olds (37.5%, Tab. 9.3), reflecting sample distribution of CCISB members. Every second interviewed female micro entrepreneur of the control group was illiterate (50%, Tab. 9.4), as compared to just 14.3% of the male interviewees. Again, this shows that education of women is still not optimal and consequently, female illiteracy rates are particularly high. Among the micro entrepreneurs of the control group, *the female illiteracy rate is higher than among the CCISB members (39.7%)*. This however, *does not necessarily reflect an improvement as a result of CCISB, but rather, that CCISB might have selected households with better initial conditions (!)*. As in-depth interviews in the case studies show (Chapter 4), education need not lead to success; some families with better educational levels have a poorer financial performance than households with illiterate adults due to personal financial (savings, loan payment) behavior.

The total distribution of both men and women of the control group according to education levels shows that a majority is either illiterate (26%) or has only attended primary school (32.7%). An analogy to the CCISB members is thus given. Most of the interviewed micro entrepreneurs from the control group had between two and four children (a cumulative 73.1%, Tab. 9.5), but obviously, with a majority of parents under 40, more children are to be expected, an aspect which is likely to weaken financial means.

Tab. 9.4 Education levels, according to gender

Education levels	Female interviewees		Male interviewees		Total
	absolute	%	absolute	%	
uneducated	17	50.0	10	14.3	26.0
primary	8	23.5	26	37.1	32.7
middle school	3	8.8	17	24.3	19.2
secondary	6	17.6	10	14.3	15.4
higher education	0	0.0	7	10.0	6.7
Total	34	100.0	70	100.0	100.0

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

Tab. 9.5 Number of children per household

Number of children per household	Frequencies		
	absolute	%	cumulative %
0	10	9.6	9.6
1	11	10.6	20.2
2	36	34.6	54.8
3	22	21.2	76.0
4	18	17.3	93.3
5	3	2.9	96.2
6	2	1.9	98.1
7	1	1.0	99.0
8	1	1.0	100.0
Total	104	100.0	

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

Business types. The main business activities of the interviewed micro entrepreneurs of the control group are running a grocery shop (12.2%), farming (11.3%), vegetable vendors (10.3%), sewing or daily wage earners (7% each, Tab. 9.6). Vegetable vending and sewing are common in Ahmedabad, grocery shops are predominant in Sabar Kantha with its Muslim population and farming, as well as daily wage earning, are predominant in the agricultural district of Patan (table not shown). *The overall distribution of business types between districts, urban and rural areas and between the sexes was clearly comparable to the patterns already described for the CCISB micro entrepreneurs.*

Tab. 9.6 Business types

Business types	Frequencies	
	Absolute	%
snack shop	7	6.1
grocery shop	14	12.2
vegetable vendor	12	10.4
daily wage earner	8	7.0
farmer	13	11.3
pan shop	6	5.2
sewing	8	7.0
cooking	3	2.6
rikshaw driving	4	3.5
driver	3	2.6
confectionary	4	3.5
other	33	28.7
Total	115	100.0

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

9.2

Lack of assistance and poverty of the control group

A large majority of the interviewed micro entrepreneurs (73.8%) from the control group stated they had not received any kind of assistance or relief whatsoever, neither from the government, nor from other NGOs (Tab. 9.7). All of the interviewed micro entrepreneurs live at the margins of society and report incomes that are defined by organizations like the World Bank as below absolute poverty lines, and yet so many had not received any assistance.

Of the 26.2% indicating they had received some form of assistance, a majority indicated that AIDMI, the parent organization behind CCISB – not the government – had helped them. These figures outline how great the need is for NGOs in a context where poverty is a structural determinant of society. Obviously, the percentage of those indicating they had received relief – mostly from AIDMI's Livelihood Relief Fund after a previous disaster – was rather high in the district of Ahmedabad where AIDMI has its operational basis (75% in Ahmedabad, as compared to 0% in Patan and Sabar Kantha, the two districts where CCISB had started working recently). 34.6% of the urban interviewees reported having received some kind of assistance, whereas no one in rural areas had (Tab. 9.8).

Tab. 9.7 Assistance/relief, according to districts

Have you received assistance/relief?	District	Ahmedabad (n=32)	Kutch (n=30)	Patan (n=21)	Sabar Kantha (n=20)	Total (n=103)
yes		75.0	10.0	0.0	0.0	26.2
no		25.0	90.0	100.0	100.0	73.8
Total		100.0	100.0	100.0	100.0	100.0

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

Tab. 9.8 Assistance/relief, according to urban/rural areas and gender

Have you received assistance/relief?	Urban/rural areas and gender		female (n=34)	male (n=69)
	urban (n=78)	rural (n=23)		
yes	34.6	0.0	47.1	15.9
no	65.4	100.0	52.9	84.1
Total	100.0	100.0	100.0	100.0

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

These figures indicate that the rural poor are generally on their own, even though poverty is more severe in rural areas and the need for assistance particularly high. *Even NGOs like AIDMI or CCISB do not fully reach the rural poor, due to a lack of infrastructure and the remoteness of rural areas. These figures underline that even within poverty groups there are differences; among the poor, there are those who receive assistance and those who are consistently neglected.*

An interesting **gender specific pattern emerged with respect to assistance and relief received** (Tab. 9.8): although half of the interviewed women were illiterate and thus, had no access to written information (male: 14.3%), nearly half of the women reported having received some kind of assistance (47.1%), as compared to just 15.9% of the men. The control group was not associated with any NGO, thus the significant gender gap is difficult to explain. One might suppose that men, no matter how poor their situation is, are rather hesitant to ask for help in fear of losing their face by admitting they cannot make ends meet, especially in a male-dominated society where they have to live up to a certain expectations as income earners of the family. Social-status orientation is also a main reason for differing spending behavior between the sexes, with men exceeding certain financial limits that women respect. Women, not being expected to be

Tab. 9.9 Assistance/relief, according to possession of a BPL card

BPL card	BPL card (n=43)	no BPL card (n=60)
Assistance/relief		
assistance/relief	7.0	40.0
no assistance/relief	93.0	60.0
% of Total BPL card	41.7	58.3
Total	100.0	100.0

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

“in charge” of income and finances the way men are, might be more pragmatic or find it easier to ask for assistance. The fact that no household interviewed in Patan received assistance further strengthens the impression that particularly in rural areas, women have even less say than elsewhere. With respect to development efforts, these patterns pose the question to what extent development could speed up if women, who generally show a more careful handling of finances, and who obviously have a pragmatic approach when it comes to asking for assistance, had more of a voice in traditional and poor contexts.

It is highly significant that the two variables “having received some kind of assistance” and “possessing a BPL card” were not related to each other at all (Tab. 9.9). Those who had a BPL card did not necessarily get assistance (93%), although they are entitled to it, and those who had received relief did not necessarily possess a BPL card declaring them as needy (40%). Considering that all of the micro entrepreneurs from the control group are very poor, it is striking that 58.3% of them claimed to not possess a BPL card.

9.3 Business characteristics

Mobile/fixed businesses and ownership. Almost 70% of the interviewees from the control group of unorganized micro entrepreneurs indicated their business was fixed (Tab. 9.10), 30.1% had mobile businesses. Whether a business is mobile or not depends largely on the business type: farmers are bound to their land whereas snack or vegetable vendors use mobile handcarts. Furthermore, 85.6% of the interviewed micro entrepreneurs from the control group said they owned their business and were thus, “self-employed”; 12.4% indicated they had to pay fees or bribes (Tab. 9.11). Again, *this reflects very much the same situation seen in the CCISB member sample, with a majority having fixed business and being self-employed. It appears that this is a structural feature of the informal, unorganized sector in India.*

Business help needed. When asked in which area they would need help regarding their business, a large majority of the interviewed micro entrepreneurs responded with “financial matters” (70.5%, Tab. 9.12), referring to the lack of money and the difficulties of handling scarce resources. Insurance was another matter of importance (13.6%), but interestingly, only 6.8% of the interviewees

Tab. 9.10 Mobile or fixed business

Mobile or fixed business	Frequencies	
	absolute	%
mobile	31	30.1
fixed	72	69.9
Total	103	100.0

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

Tab. 9.11 Ownership of business

Ownership of the business	Frequencies	
	absolute	%
I own it	83	85.6
I pay fees/bribes	12	12.4
I don't know	1	1.0
it is a job	1	1.0
Total	97	100.0

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

Tab. 9.12 Business help needed

Business help needed	Frequencies	
	absolute	%
financial matters	93	70.5
business development advice	12	9.1
insurance	18	13.6
disaster preparedness	9	6.8
Total	132	100.0

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

named “disaster preparedness” a main issue, although insurance and productive use of finances would be helpful for better disaster preparedness, too. The fact that only a low share of the interviewees expressed they needed assistance with disaster risk reduction measures, could indicate low awareness of the value of such measures. It is possible, that many accept recurring disasters and their impact as a determinant of life that they cannot influence. Here, NGOs could take a leading role in raising awareness and training people in risk reduction measures: Micro entrepreneurs, in turn, could greatly increase their livelihood security by linking up with NGOs. In a way, then, turning attention towards new agents or networks of assistance and change would extend the social network and social capital which can be transferred into long term financial advantages.

The need for assistance in business matters differed significantly between the **districts** (Tab. 9.13), although in all areas, “financial matters” were a main concern. In Kutch, a maximum percentage of 33.3% of interviewees indicated a desire for business development advice – pointing again to the highly entrepreneurial spirit of Kutchi people referred to before – and 46.7% also wanted insurance help. The major earthquake damage in 2001 seems to have left its mark here. It is remarkable that in Sabar Kantha, only 5% of the interviewees expressed a need for “disaster preparedness”. This was the lowest percentage of all districts. Here, the main disaster in recent years had been the outbreak of violence against Muslims. As was highlighted before, *it is nearly impossible to prepare for man-made disaster at the micro level of individual households, and this is reflected by a low percentage of Muslim interviewees stating they needed help with disaster preparedness, particularly when insurance schemes do not yet cover the impact of riots. By emphasizing good behavior in business practice (Chapter 8.2), Muslims are making a personal contribution to lessen chances of riot disaster in the future.*

Even among the control group, **savings** were recognized as an important aspect of financial matters. Tab. 9.13 presents the different needs of micro entrepreneurs from the perspective of those interviewees who are saving and those who are not yet saving. 98.2% of interviewees who did not have savings reported

Tab. 9.13 Business help needed, according to districts and savings

District/saving	Ahmedabad (n=32)	Kutch (n=30)	Patan (n=22)	Sabar Kantha (n=20)	saving (n=49)	not saving (n=55)
Business help needed						
financial matters	96.9	73.3	90.9	100.0	79.6	98.2
business development advice	3.1	33.3	0.0	5.0	22.4	1.8
insurance	0.0	46.7	0.0	20.0	32.7	3.6
disaster preparedness	0.0	16.7	13.6	5.0	16.3	1.8
% of total	30.8	28.8	21.2	19.2	47.1	52.9

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

they needed help with financial matters, as compared to just 79.6% of those who were saving money already. Micro entrepreneurs saving money on a regular basis felt they needed more “business development advice” (22.4%), indicating their greater economic development. They were thinking ahead of ways to improve their situation. In contrast, only 1.8% of the interviewees without savings were thinking this far. These figures are a clear indicator of the need to train people with respect to the handling of their own finances and the productive use thereof. Saving can contribute to the development of several positive attributes:

- financial discipline
- long-term planning based on financial capital
- awareness of own potential
- shift of focus away from daily survival.

The approach the Indian government is taking with the support of savings groups appears to be a step in the right direction, and NGOs should complement these efforts more.

Business expansion. A clear difference between the survey group and the control group could be seen with regard to business expansion: whereas 76% of the interviewees associated with CCISB declared they had expanded their business, 75% of the interviewees from the control group said they had not expanded their business (Tab. 9.14). *This indicates just how difficult the situation is for those who are neither assisted by the government, nor by any NGOs.* However, even here, some differences between the districts were still apparent: in urban areas with a fast economy and high entrepreneurial spirit, such as in Bhuj (Kutch) or Ahmedabad, 40% and 34.4% of interviewees from the control group stated they had expanded; in the agricultural district of Patan, only 13.6% of the interviewees had done so. In Sabar Kantha, where the interviewed Muslims were still recovering from the riots that destroyed infrastructure and businesses, all declared they had not yet been able to expand. This again underlines the grave impact of man-made disasters on poverty alleviation.

Tab. 9.14 Business expansion, according to districts

Business expansion \ District	Ahmedabad (n=32)	Kutch (n=30)	Patan (n=22)	Sabar Kantha (n=20)	Total (n=104)
I have expanded	34.4	40.0	13.6	0.0	25.0
I have not expanded	65.6	60.0	86.4	100.0	75.0
Total	100.0	100.0	100.0	100.0	100.0

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

Contributors to the business. Nearly two thirds of the interviewed micro entrepreneurs from the control group indicated they worked alone in their businesses (65.7%, Tab. 9.15); only 19.6% stated their wives/husbands were contributing to some extent. **Urban and rural areas** differed concerning structural patterns (Tab. 9.15): whereas 72.2% of interviewees from urban areas stated they worked alone, 34.8% in rural areas said their wives/husbands contributed, and 17.4% here even mentioned their children were part of the business, too. When children have to work, they have less time for education, and thus a cycle of low education levels, low incomes and poverty is passed on to the next generation. In contrast, the fact that very few wives are helping in the family businesses in urban areas, possibly due to traditional distribution of roles, indicates why here too, a cycle of poverty may be expected; involving family members increases workforce and potential of profit. *Although similar patterns could be seen amongst CCISB members before membership, their economic situation did change with membership and access to microfinance.*

Peak seasons. The peak seasons indicated in the different **districts** (Tab. 9.16) are related to the main business types in each: in Patan, monsoon is considered a good season by farmers (50%), and in Kutch, snack vendors like the summer because cold drinks sell particularly well. In Sabar Kantha, groceries sell well during summer as well as during winter. Festivities are generally a good time for business because people tend to shop more, be it for clothes, food or decoration. As was mentioned for micro entrepreneurs associated with CCISB, the responses indicate that income and business strategies have to be adapted to the seasonality and conditions of different business types and areas. There are no income strategies or solutions suitable for all districts and business types.

Tab. 9.15 People contributing to the business, according to urban and rural areas

Urban/rural areas	urban (n=79)	rural (n=23)	Total (n=102)
People contributing to the business			
myself	72.2	43.5	65.7
myself and my wife/husband	15.2	34.8	19.6
myself and my children	7.6	0.0	5.9
myself, my wife/husband and my children	3.8	17.4	6.9
other	1.3	4.3	2.0
Total	100.0	100.0	100.0

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

Tab. 9.16 Peak seasons, overall and according to districts

Business peak seasons \ District	absolute	%	Ahmedabad (n=32)	Kutch (n=30)	Patan (n=22)	Sabar Kantha (n=20)
no peak season	24	16.2	34.4	20.0	31.8	0.0
winter	46	31.1	12.5	46.7	36.4	100.0
summer	28	18.9	0.0	26.7	0.0	100.0
monsoon	15	10.1	3.1	10.0	50.0	0.0
festivities	35	23.6	56.3	40.0	18.2	5.0
% of total	148	100.0	30.8	28.8	21.2	19.2

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

9.4 Supply and sales practices

Purchasing practices. 20.4% of interviewees from the control group of unorganized micro entrepreneurs indicated they purchased in cash (Tab. 9.17). A majority (63.1%) purchased both in cash and on credit. 34.7% said they purchased 50% of their goods in cash; however, a cumulative 21.7% purchased either nothing or just 25% of their material in cash (Tab. 9.18). Daily wage earners and rickshaw drivers do not need to purchase materials, which is why they stated this question was “not applicable”.

It is surprising that more than one fifth purchase everything in cash and more than a third of the interviewees purchase at least half of their supplies in cash. This means that cumulative 68.4% of interviewees not assisted by any organization or microfinance scheme purchase between 50% and 100% of their supplies in cash. This indicates that these micro entrepreneurs are well aware of the advantages of purchasing in cash, and do what they can to profit from this. It may be assumed that they would purchase more in cash if given the necessary financial support.

Again, **distinct district specific differences** as to purchasing practices could be seen (Tab. 9.18), reflecting patterns already observed among the CCISB members. The highest percentage of interviewed micro entrepreneurs purchasing everything in cash was observed in Sabar Kantha, where, in spite of severe economic consequences due the riots, 25% of the interviewees still managed to purchase everything in cash. There might be a link between the emphasis on “good reputation” as a business strategy practiced by the Muslims here and the avoidance of debt. Furthermore, the higher education levels amongst this group could contribute towards entrepreneurs being more aware of credit traps.

Tab. 9.17 Purchasing practices

Purchasing practices	Frequencies	
	Absolute	%
cash	21	20.4
credit	8	7.8
both	65	63.1
not applicable	9	8.7
Total	103	100.0

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

Tab. 9.18 Rates of purchasing in cash, according to districts

Rates of purchasing in cash	District	Ahmedabad (n=31)	Kutch (n=29)	Patan (n=21)	Sabar Kantha (n=20)	Total (n=101)
	nothing		3.2	10.3	9.5	0.0
up to 25% of goods		19.4	13.8	9.5	20.0	15.8
up to 50% of goods		9.7	31.0	57.1	55.0	34.7
up to 75% of goods		32.3	10.3	0.0	0.0	12.9
everything		22.6	13.8	23.8	25.0	20.8
not fixed		3.2	0.0	0.0	0.0	1.0
not applicable		9.7	20.7	0.0	0.0	8.9
Total		100.0	100.0	100.0	100.0	100.0

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

In contrast, in the district of Kutch, the share of those who purchased everything on credit was the highest of all districts (10.3%), followed by Patan (9.5%), where cash is scarce. In Kutch, again, with its fast economy, the demand for quick cash supply is high, and people commonly borrow money at high interest rates – a pattern that was described previously. The fact that a maximum proportion of micro entrepreneurs from Ahmedabad purchased up to 75% in cash might be related to a greater choice of supply in urban areas, and consequently, greater opportunity to find cheap suppliers from which one is able to purchase a high amounts of goods in cash.

Benefits from purchasing in cash. Micro entrepreneurs in the control group of unorganized micro entrepreneurs were asked about the benefits of purchasing in cash. The three main reasons given were getting discounts of up to 10% (28.7%),

Tab. 9.19 Benefit from purchasing in cash, according to districts

District	Ahmedabad (n=31)	Kutch (n=29)	Patan (n=21)	Sabar Kantha (n=20)	Total (n=101)
Benefit from purchasing in cash					
no discount	3.2	10.3	14.3	0.0	6.9
up to 5%	25.8	17.2	19.0	5.0	17.8
up to 10%	41.9	13.8	47.6	10.0	28.7
up to 20%	16.1	3.4	14.3	0.0	8.9
> 20%	3.2	13.8	4.8	5.0	6.9
getting credit	0.0	20.7	0.0	80.0	21.8
not applicable	9.7	20.7	0.0	0.0	8.9
Total	100.0	100.0	100.0	100.0	100.0

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

“getting credit” (21.8%) and getting discounts of up to 5% (17.8%, Tab. 9.19). Considering that a cumulative 46.6% profited from discounts between 5 and 10%, it is not surprising that many micro entrepreneurs try to purchase as much as possible in cash. However, “getting credit” was also mentioned as a major benefit, particularly in Kutch with 20.7% of entrepreneurs here highlighting this. This indicates that people consciously build up good relations with suppliers by buying in cash, to profit from credit purchases in times of need. Again, district specific differences were of relevance: whereas nobody in Sabar Kantha and just 3.2% of the interviewees from Ahmedabad stated that they did not get any discount for purchasing in cash, 10.3% in Kutch (10.3%) and 14.3% in Patan did not receive discounts, but for different reasons. In Kutch, the lack of discounts is linked to the highly competitive environment as discussed above, in Patan, the lack may be due to micro entrepreneurs not being aware that they could demand a discount (slow economy, low literacy rates).

Suppliers. It is remarkable that *less micro entrepreneurs from the control group (52.6%) had only one supplier than the CCISB member group* before they joined the organization (58.4%; Tab. 9.20). In other words, nearly half of the interviewees from the control group had several suppliers at the time of the survey (45.2%, Tab. 9.20). *This indicates that micro entrepreneurs left on their own can and do make good decisions to mitigate risk disaster because they themselves have opened up their social network for the benefit of their businesses.* Among the Muslim interviewees, 66.1% had just one supplier, thus potentially more vulnerable to disaster if their unidimensional supply chain was to break down. In contrast, 68.6% of the interviewed Hindu micro entrepreneurs had several suppliers (Tab. 9.20). The Muslim interviewees predominantly living in Relief Camps in Sabar Kantha might have less access to different suppliers. However,

a high share mentioned building up credit worthiness as an important business strategy (Tab. 9.19). This could be a reason why they choose to stay with the one supplier. This business strategy does lead to a greater vulnerability of the Muslim population over the Hindu interviewees of the control group. With less discounts, profits are smaller, contributing to an economic instability that increases the urgency of working with a supplier who gives credit.

Reasons for purchasing from one supplier. The rationale for choosing just one supplier was similar between the two groups of micro entrepreneurs interviewed. Within the control group, main reasons given for staying with one supplier were the good relationship (22%), proximity (22%) and reliability (17%), the latter argument being linked to a good relationship based on trust (Tab. 9.21). ‘Being

Tab. 9.20 Supplier patterns, overall and according to religion

Supplier(s)	Religion			
	absolute	%	Hindu (n=35)	Muslim (n=59)
one supplier	50	52.6	31.4	66.1
several suppliers	43	45.2	68.6	30.5
customers	1	1.1	0.0	1.7
n.a.	1	1.1	0.0	1.7
Total	95	100.0	100.0	100.0

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

Tab. 9.21. Reasons for purchasing from one supplier

Reasons for purchasing from one supplier	absolute	%
he has everything	21	13.2
he is near	35	22.0
he is cheap	20	12.6
he is reliable	27	17.0
he is regular	12	7.5
he gives me credit, if I had cash, I'd go elsewhere	5	3.1
good relationship with him	35	22.0
he has a long-term commitment	3	1.9
other	1	0.6
Total	159	100.0

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

cheap” was not a main argument for choice of supplier (12.6%). Clearly, social networks in form of business associations or a Chamber of Commerce play an important role in business strategies attesting to the validity of social theory explanations and approaches to micro development.

Purchasing from wholesalers or intermediaries. A large majority of the interviewees from the control group (78.4%) indicated that they purchased from a wholesaler (Tab. 9.22). A similar pattern was seen with the CCISB members (before membership: 75.1%, Chapter 7). These figures reflect the internalization of a universal rule of business life – to purchase where and when possible large quantities from wholesalers at cheap prices rather than from intermediaries. It should be noted, however, that less interviewees in the control group purchased from an intermediary (7.8%) than was the case among CCISB members before

Tab. 9.22 Supply chains

Purchasing from whom?	Frequencies	
	absolute	%
wholesaler	80	78.4
intermediary	8	7.8
self-production	9	8.8
other	5	4.9
Total	102	100.0

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

Tab. 9.23 Location of suppliers, according to districts

District \ Location of supplier	Ahmedabad (n=30)	Kutch (n=25)	Patan (n=22)	Sabar Kantha (n=20)
Ahmedabad	100.0	0.0	4.5	0.0
Bhuj	0.0	100.0	0.0	0.0
Radhanpur	0.0	0.0	90.9	0.0
Modhasa	0.0	0.0	0.0	40.0
other	0.0	0.0	13.6	60.0
% of total	30.9	25.8	22.7	20.6

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

Tab. 9.24 Location of sales, according to districts

Location of sales	District	Ahmedabad (n=30)	Kutch (n=25)	Patan (n=20)	Sabar Kantha (n=19)
Ahmedabad		100.0	0.0	0.0	0.0
Bhuj		0.0	100.0	0.0	0.0
Radhanpur		0.0	0.0	95.0	0.0
Modasa		0.0	0.0	0.0	31.6
Santalpur		0.0	0.0	5.0	0.0
other		0.0	0.0	10.0	94.7
% of total		31.9	26.6	21.3	20.2

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

joining the organization (20.3%). This could again be the result of a survival instinct enflamed due to very difficult circumstances with no help either from the government or NGOs to be expected. This difference is possibly due to the fact that micro entrepreneurs of the survey group knew they were going to get help and thus embraced business strategies that were less ideal before membership.

Location of supply and sales. For micro entrepreneurs in both the CCISB member group and the control group, supply and sales are geographically limited to the areas in which they live. Transportation and accommodation are too costly to allow for travelling to buy and sell products and services. This is why all of the micro entrepreneurs stay at the same place or at least within the same district (Tab. 9.23 and 9.24).

9.5

Cash/credit/money circulation

9.5.1

Sources of credit

The main sources of credit for the micro entrepreneurs of the control group not organized in the Chamber of Commerce, Industry and Small Business were – as was for CCISB members before they joined the organization – private money lenders. 44.1% of the control group stated they regularly contacted private money lenders for cash, followed by 26.8% who stated they asked their relatives (Tab. 9.25). With private money lenders dictating the terms, such as a short duration of credits and high interest rates, obviously, economic vulnerability

Tab. 9.25 Sources of credit, overall and according to districts

Sources of credit	District		Ahmedabad (n=31)	Kutch (n=29)	Patan (n=22)	Sabar Kantha (n=20)
	absolute	%				
no credit	14	11.0	0.0	17.2	40.9	0.0
private money lenders	56	44.1	64.5	24.1	45.5	95.0
dealers	18	14.2	25.8	31.0	4.5	0.0
relatives	34	26.8	48.4	27.6	18.2	35.0
bank/financial institute	2	1.6	0.0	0.0	4.5	5.0
other	3	2.4	3.2	6.9	0.0	0.0
Total	127	100.0	30.4	28.4	21.6	19.6

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

of those depending on such credit sources increases, and a cycle of negative development may be initiated. Since micro entrepreneurs of the informal sector have literally no chance of accessing official banking institutes (1.6% stated they had done so), and they are not supported by government or NGO schemes, they have no alternative but to rely on private money lenders. *A very high share of the control group was able to ask relatives for money, thereby reducing vulnerability through bad credit conditions. Further, a high share of micro entrepreneurs from the same group declared they would appreciate help with financial matters, underlining their desire to change their situation somehow. It would seem that an initial financial push is needed here, like the funds for CCISB beneficiaries or the microfinance schemes for NGO recipients.*

Significant **differences between the districts** could be observed for sources of credit of micro entrepreneurs from the control group (Tab. 9.25). 95% of micro entrepreneurs in Sabar Kantha and 64.1% in Ahmedabad accessed private money lenders; in Kutch, micro entrepreneurs primarily asked dealers and relatives for credit (31% and 27.6%, respectively). In Ahmedabad and Sabar Kantha, many also asked relatives for credit (48.4% and 35%, respectively). In Ahmedabad, the high percentage of micro entrepreneurs accessing private money lenders can be linked to the fast urban economy of the district with a high demand of cash supply – a pattern that was seen before in Kutch. However, the micro entrepreneurs in Kutch lent money from their fellow businessmen rather than private money lenders, indicating that they could not meet the conditions dictated by private money lenders. In Sabar Kantha, a neglected Muslim minority has no other option than to ask relatives or private money lenders for credit. *The comparison between the two groups of micro entrepreneurs under study illustrates to what extent microfinance schemes and linking up with organizations or associations providing such schemes enable the poor to shift away from*

private money lenders and their exploitative credit conditions, thus decreasing their economic vulnerability and improving their economic situation remarkably. Microfinance is a powerful tool in the alleviation of poverty and in building self-reliance of the poor to liberate them from exploitation, and NGOs or business associations providing such schemes greatly add to securing micro entrepreneurs' livelihood.

9.5.2 Conditions of credit

Interest rates. Although a majority of the micro entrepreneurs from the control group not organized in CCISB indicated they paid between 2-5% of interest (57%, Tab. 9.26), a cumulative 33% paid 10% or more in interest. *These figures are very similar to the structural patterns observed amongst CCISB members.* Regarding interest rates, there were again distinct **differences between the districts**, reflecting here too, the structures observed amongst CCISB members. Among the control group, only micro entrepreneurs from Kutch paid more than 10% interest (20.7%, Tab. 9.26), and a high share paid up to 10% (31%). These figures indicate that demand for cash supply in the particularly entrepreneurial setting of Kutch is high which significantly influences the conditions of credit. In contrast, all of the interviewees from rural Patan paid interest rates between 2-5%. The fact that a majority in Sabar Kantha were charged interest rates of 6-10% (55%) must be seen in relation to the fact that 95% in this district also stated to access private money lenders for credit (the highest share of all districts). Many of the interviewees from Sabar Kantha lost everything during the riots, or had to sell everything to buy food after the riots, and are in a desperate need of finances. Thus, despite their generally good education and the fact that they know better, most of the interviewed micro entrepreneurs from this district ask private money lenders for cash, although interest rates are horrific. These patterns underline the need for microfinance schemes for micro entrepreneurs who become more and more vulnerable due to exploitative credit conditions of the market.

Duration of credits. A majority of the interviewed micro entrepreneurs in this group took monthly or annual credits (46.3% and 43.2%, respectively; Tab. 9.27). However, 8.4% stated they had to repay credits within a day. As was the case with CCISB members, the highest share of micro entrepreneurs taking day credits was observed in Kutch (25%), followed by Ahmedabad (6.3%). Micro entrepreneurs in Ahmedabad (a cumulative 68.8%) and Kutch (a cumulative 91.7%), in particular, had to repay their credits within a day to a month. In contrast, 90% in Sabar Kantha and 68.4% in Patan stated their credit duration was usually a year.

Even if one admits that on a *macro level*, the economies of Kutch and Ahmedabad are growing fast and especially in Kutch, a high degree of entrepreneurship may be observed, at a *micro level*, the high interest rates of 10% or more to be paid by micro entrepreneurs already living on the margins of society

Tab. 9.26 Interest rates for credit, according to districts

Interest rates for credit according to the market	District	Ahmedabad (n=32)	Kutch (n=29)	Patan (n=19)	Sabar Kantha (n=20)	Total (n=100)
< 2%		6.3	6.9	0.0	0.0	4.0
2-5%		71.9	20.7	100.0	45.0	57.0
6-10%		21.9	31.0	0.0	55.0	27.0
> 10%		0.0	20.7	0.0	0.0	6.0
other		0.0	20.7	0.0	0.0	6.0
Total		100.0	100.0	100.0	100.0	100.0

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

Tab. 9.27 Duration of credits, according to districts

Duration of credits according to the market	District	Ahmedabad (n=32)	Kutch (n=24)	Patan (n=19)	Sabar Kantha (n=20)	Total (n=95)
daily		6.3	25.0	0.0	0.0	8.4
weekly		0.0	8.3	0.0	0.0	2.1
monthly		62.5	66.7	31.6	10.0	46.3
per year		31.3	0.0	68.4	90.0	43.2
Total		100.0	100.0	100.0	100.0	100.0

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

hinders economic progress. Interest rates of 10% per day sum up to 120% per annum. Further, interest and credit repayment are not necessarily interlinked in India, with creditors often getting stuck in a cycle of paying interest without reducing their credit. As such, the control group suffered from the same high interest problem common to the entire micro enterprise sector. *It is not surprising that CCISB's interest free fund meant for some of the members that they were "finally relieved from the burden of interest"*. Although CCISB members are clearly in advantage with interest free loans, the fund amount itself remains stagnant without interest and dependent on donations. Further, interest free credit does not teach the recipients economically sustainable behavior.

Increase of credit. The two main strategies used by interviewed micro entrepreneurs of the control group to increase their credit was to have "a good relation-

Tab. 9.28 Increase of credit, overall and according to districts

District	absolute	%	Ahmeda-	Kutch	Patan	Sabar
			bad (n=30)	(n=26)	(n=15)	Kantha (n=20)
I expanded my business	5	3.4	0.0	11.5	13.3	0.0
I pay back regularly	63	42.6	100.0	50.0	20.0	85.0
I pay back faster	9	6.1	0.0	15.4	13.3	15.0
I have a good relationship with my creditors	69	46.6	83.3	57.7	66.7	95.0
other	2	1.4	0.0	3.8	0.0	5.0
Total	148	100.0	33.0	28.6	16.5	22.0

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

ship with the creditor” (46.6%, Tab. 9.28), and to “pay back regularly” (42.6%). This structural pattern is identical to the one CCISB members showed before they joined the organization – without cash flow, a good relationship can buy time for the repayment. Whereas after joining CCISB, a majority of the interviewed members also named business expansions as a way of increasing credit (because more assets serve as a credit guarantee), the control group could not state this (3.4%). The majority of the interviewees from the control group were not in a situation to expand their business, but rather struggled for daily survival, especially because, by and large, they did not receive any kind of assistance. Their possibilities of increasing credit were therefore limited.

Nevertheless, distinct **district specific differences** could be observed as to strategies for increasing credit. Whereas in Ahmedabad, the most widely practiced strategy was to pay back regularly – 100% of the interviewees from this district stated this – and only then, a good relationship was mentioned, the opposite was the case in Kutch: 57.7% said a good relationship was the most important strategy, followed by a regular repayment. Patterns were similar to Kutch in Patan and Sabar Kantha, where repayment might be difficult due to problems with income generation.

9.5.3 Income, profit and savings

Income. A significant majority of interviewees from the control group reported an average daily income of 101-200 Rs (27.3%, Tab. 9.29), which adds up to 2400-4800 Rs per month, based on the usual six-day week in India. These amounts equal a monthly income of between 49 and 98 US-Dollars, or a daily income of between 1.63 and 3.26 US-Dollars (given 30 days). In other words: the interviewed micro entrepreneurs are situated at levels of absolute poverty, as

defined by international organizations. A cumulative 11.7% – more than one in ten – only earned up to 100 Rs a day, which equals a monthly income of maximum 49 Dollars. Those earning up to 50 Rs a day live off less than one dollar per day (80 Cents) – *per family*. From this amount, business costs still have to be deducted (exchange rates are of August 20, 2009).

Significant income **differences between the districts** under study could be seen in the control group as well. These figures reflect the economic conditions of the respective districts. Thus, a majority of the interviewees from Patan did not answer income related questions, which might be, as mentioned during the analysis of the main group before, a sign of very low income levels and irregularity of earnings. In Sabar Kantha, 50% only earned up to 200 Rs a day. In contrast, in Ahmedabad, 28% of the interviewees of the control group – the highest share of all districts – claimed to earn more than 400 Rs a day, and 23.1% in Kutch said they earned even more than 500 Rs a day. These figures reflect a comparatively good economic situation with quick income generation. The overall picture, however, is that of desperate poverty. Even if incomes in Kutch tend to be higher than in other districts, the excessive interest rates micro entrepreneurs in this district often have to pay on a daily basis deplete any profits rapidly. Given the generally very low income levels of the interviewed micro entrepreneurs of the informal sector, it is all the more surprising that 58.3% did not possess a Below Poverty Line card (Tab. 9.9). It becomes evident that the definition of poverty in India is inadequate. Considering the huge number of poor people in India, it is likely that the 1.2 million NGOs in the country will not be able to make up for the state's failure by counterbalancing socio-economic injustice.

Profit. 68.2% of the micro entrepreneurs from the control group claimed to make a profit of up to 100 Rs per day (Tab. 9.30), with most specifying their profit was below 50 Rs. Many did not answer this question – particularly in Patan. This suggests that economic situations are so poor that profit cannot be generated. An average daily profit of 50 Rs per day adds up to 1200 Rs per month; if a monthly income is at 3000 Rs per family, then 1200 Rs are still a handsome profit. As argued before, personal financial choices concerning the use of these very small profits constitute an important factor of economic development, and the handling of finances is a necessary aspect of capacity building that should be trained.

Saving. Although more than half of the interviewees from the control group stated they were not saving money (52.9%, Tab. 9.31), it is striking that nearly half were still managing to save money (47.1%) despite the fact that most lived in absolute poverty and had no support from any programs, schemes or organizations. *In fact, more micro entrepreneurs in the control group were saving than CCISB members before they joined the NGO (around 17%).* This implicates that personal choices about finances can have an enormous impact on economic vulnerability.

Distinct differences between **districts** and between **urban and rural areas** could be identified as to the savings behavior of micro entrepreneurs from the control group (Tab. 9.31): whereas 93.3% of the interviewees from Kutch

Tab. 9.29 Average income per day, according to districts

Average income per day	District	Ahmedabad (n=25)	Kutch (n=26)	Patan (n=6)	Sabar Kantha (n=20)	Total (n=77)
1-50 Rs		8.0	0.0	0.0	0.0	2.6
51-100 Rs		0.0	15.4	33.3	5.0	9.1
101-200 Rs		12.0	26.9	16.7	50.0	27.3
> 200 Rs		20.0	11.5	16.7	25.0	18.2
> 300 Rs		20.0	11.5	0.0	15.0	14.3
> 400 Rs		28.0	11.5	0.0	0.0	13.0
> 500 Rs		12.0	23.1	33.3	5.0	15.6
Total		100.0	100.0	100.0	100.0	100.0

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

Tab. 9.30 Average profit per day

Average profit per day	Frequencies	
	absolute	%
no profit	1	1.2
1-100 Rs	58	68.2
101-150 Rs	15	17.6
151-200 Rs	9	10.6
> 200 Rs	2	2.4
Total	85	100.0

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

(smooth cash flow, high interest rates) claimed to save, 90.9% of the interviewees from Patan (income irregular, education levels low, low interest rates) reported they did not save at all. In rural areas in general, a majority of the interviewees stated they could not save money (78.3%, Tab. 9.31), in urban areas 55.7% of the interviewees were saving. *These patterns reflect the differences between poverty in urban and rural areas in general and points to differences in the handling of finances and priorities of investment.* The need for cash is recognized by all micro entrepreneurs in urban areas, where demand is high; savings contribute towards avoiding exorbitant interest rates. In rural areas, an awareness of the benefits of savings appears to be lacking, perhaps reflecting a tendency to think in the short-term rather than the long-term. *Financial training is considered crucial*

Tab. 9.31 Savings, according to districts and urban/rural areas

Saving	District/ urban/rural areas	Ahmeda- bad (n=32)	Kutch (n=30)	Patan (n=22)	Sabar Kantha (n=20)	Total (n=104)	urban (n=79)	rural (n=23)
		saving	43.8	93.3	9.1	25.0	47.1	55.7
not saving	56.3	6.7	90.9	75.0	52.9	44.3	78.3	
Total		100.0	100.0	100.0	100.0	100.0	100.0	

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

Tab. 9.32 Amounts saved per day

Amount saved per day	Frequencies	
	absolute	%
no savings	55	53.4
1-20 Rs	25	24.3
21-50 Rs	16	15.5
51-80 Rs	3	2.9
81-100 Rs	1	1.0
> 100 Rs	3	2.9
Total	103	100.0

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

in supporting these micro entrepreneurs situated at the bottom of society to make more frugal use of their personal scarce resources – because through their own decisions, they can become agents of change. It is, then, not the membership in an association alone, but rather, how the association is organized and what role it serves that is important. If CCISB engages in financial training, it can be much more efficient in its social business network than if it does not.

Amounts saved. As expected, the amounts the control group saved were rather small (Tab. 9.32), and a majority of those who managed to save money at all only saved up to 20 Rs a day (24.3%), or a maximum of 50 Rs per day (15.5%). Nevertheless, even such small amounts like 20 Rs a day adds up to 5760 Rs per year, and that is a sizeable amount that can strengthen a family's economic situation and decrease vulnerability, if used for long-term investment. The question is whether such amounts (5760 Rs are equivalent to 118.27 US-Dollars) are invested in financial or social capital of the conventional type, such as festivities or social events.

9.5.4 Loans, investments and increase of profit

Loan amounts. A surprisingly high number of interviewed micro entrepreneurs of the control group reported to not take loans out at all (27.3%, Tab. 9.33), which underlines the impression gained before that micro entrepreneurs who are on their own try to mitigate risk by saving or ensuring that they do not get indebted. However, a high share (40.4%) declared they took loans of above 5000 Rs. This is a high amount, considering that a majority of those who were able to save could save a maximum of 5760 Rs per year. Given the small incomes, the debts of 2000 Rs to more than 5000 Rs reported by 68.7% do appear to be particularly high. With savings of up to 5760 Rs per year and loans of approximately the same amount, some micro entrepreneurs appear to be investing more than 10 000 Rs per year in their businesses. The question is if this is really the case.

The highest share of micro entrepreneurs not making use of loans could be observed in Kutch (46.2%, Tab. 9.33). Here, a majority of interviewees preferred to save and use their own savings due to particularly high interest rates. Although a third of interviewees from Patan declared they did not take loans, more than 57.6% of the district's interviewees took loan amounts of more than 5000 Rs. It is likely that more micro entrepreneurs take loans than declared. Sabar Kantha has the highest percentage of interviewees taking loans of more than 5000 Rs (65%), this again reflecting the greater needs experienced here due to the destruction of infrastructure and homes. These patterns are similar to the ones seen amongst CCISB members.

Loan investments. The main reasons given for taking loans were social purposes (25%), livelihood (19.4%) and health (13.7%, Tab. 9.34). Borrowing money for livelihood-related issues can be regarded as a proof of poverty, where such loans are necessary for daily survival. Loans to cover health costs indicate to what extent the state has failed to set up a functioning health care system. As R. BHAT (pers. comm., Oct. 28, 2008) points out, "sometimes, health problems keep people poor". However, the most important reason for taking a loan was for social purposes; this is a conscious decision based on the rationale that poor people feel that social capital in terms of investing in social events is the only insurance they have. Even if the decision-making processes is understandable, it does not appear to be worth its while as the high investments made using savings and loans make people economically even more vulnerable than they already are.

Significant differences between the **districts with reference to loan investment** could be observed (Tab. 9.35). Whereas 90% of the interviewees from Sabar Kantha stated to borrow money for livelihood, that is for daily survival (only 25% were saving money in this district), 87.5% in Ahmedabad indicated they took loans for social purposes. Even though all of the interviewed micro entrepreneurs from the control group are vulnerable due to a weak economic situation with low or no savings and high loans, strategies developed to help here need to take the reasons for loans into account. Whereas some just need basic financial assistance and advice in long-term livelihood strategies, others

Tab. 9.33 Loan amounts, according to districts

Loan amounts	District	Ahmedabad (n=32)	Kutch (n=26)	Patan (n=21)	Sabar Kantha (n=20)	Total (n=99)
no loans		25.0	46.2	33.3	0.0	27.3
1-1000 Rs		0.0	7.7	0.0	0.0	2.0
1001-2000 Rs		3.1	0.0	4.8	0.0	2.0
2001-5000 Rs		40.6	26.9	4.8	35.0	28.3
> 5000 Rs		31.3	19.2	57.1	65.0	40.4
% of total		32.3	26.3	21.2	20.2	100.0

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

Tab. 9.34 Loan investments

Loan investments	Frequencies	
	absolute	%
infrastructure	13	10.5
reconstruction after disaster	12	9.7
business expansion	7	5.6
social purposes	31	25.0
health	17	13.7
livelihood	24	19.4
child education	4	3.2
working capital	5	4.0
tools/equipment	3	2.4
raw material	5	4.0
other	3	2.4
Total	124	100.0

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

primarily need to learn how to handle the resources they dispose of, even if they are small, more frugally.

Increase of profit because of the loan. Obviously, with a majority of the control group using their loans for social purposes or health costs as well as livelihood, a majority did not report monthly increases of profit from the loan (54.2%, Tab. 9.36). Interesting **differences between the districts** could be observed: whereas

Tab. 9.35 Loan investments, according to districts

Loan investments	District	Ahmedabad (n=24)	Kutch (n=15)	Patan (n=14)	Sabar Kantha (n=20)
infrastructure		0.0	46.7	42.9	0.0
reconstruction after disaster		8.3	0.0	14.3	40.0
business expansion		0.0	6.7	42.9	0.0
social purposes		87.5	26.7	35.7	5.0
health		50.0	20.0	14.3	0.0
livelihood		8.3	13.3	14.3	90.0
child education		4.2	6.7	14.3	0.0
working capital		0.0	33.3	0.0	0.0
tools/equipment		8.3	6.7	0.0	0.0
raw material		8.3	6.7	0.0	10.0
other		8.3	6.7	0.0	0.0
% of total		32.9	20.5	19.2	27.4

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

in Ahmedabad and Patan, 87% and 85.7%, respectively, stated that they had no profit increase from the loan – due to investments that were obviously not business-related, 70% of interviewees from Sabar Kantha declared they had a monthly increase of profit of up to 100 Rs. This indicates that the investments made by micro entrepreneurs in this district paid off to a greater extent than investments of micro entrepreneurs in other districts. It is significant that 87.5% of interviewees from Ahmedabad declared to invest their loans in social capital, and exactly 87% said they were not able to increase their profits through loans taken.

This *pattern of the control group resembles that of the study group* and strengthens the impression gained that investments in traditional social capital in the form of social expenses occur to the detriment of financial capital; economic conditions do not appear to improve through increased social capital. Even if this type of social capital has to be regarded as an important element of Indian culture, its economic impact should, in the light of this survey, be questioned. NGOs and aid agencies are well advised to take priorities of investment into consideration before distributing funds. Education on the handling of finances is crucial and should allow reflection on culturally accepted behavior.

Sources of loans. Two thirds of interviewees appear to take loans from private money lenders (66.2%, Tab. 9.37). This is a large number and explains why a majority of 54.2% were not able increase their profits through loans: they invest money borrowed at high interest rates from private money lenders for short-

Tab. 9.36 Monthly increase of profit because of the loan, according to districts

District	Ahmedabad (n=23)	Kutch (n=15)	Patan (n=14)	Sabar Kantha (n=20)	Total (n=72)
Monthly increase of profit because of the loan					
no increase in profit	87.0	20.0	85.7	20.0	54.2
1-100 Rs	13.0	13.3	0.0	70.0	26.4
101-200 Rs	0.0	13.3	0.0	10.0	5.6
201-500 Rs	0.0	26.7	7.1	0.0	6.9
> 500 Rs	0.0	26.7	7.1	0.0	6.9
Total	100.0	100.0	100.0	100.0	100.0

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

Tab. 9.37 Sources of loans, overall and according to districts

District	Ahmedabad (n=23)	Kutch (n=15)	Patan (n=12)	Sabar Kantha (n=20)	absolute	%
Sources of loans						
private money lenders	82.6	46.7	50.0	95.0	51	66.2
dealers	8.7	20.0	8.3	0.0	6	7.8
relatives	4.3	33.3	16.7	25.0	13	16.9
bank/financial institute	0.0	0.0	33.3	5.0	5	6.5
other	4.3	6.7	0.0	0.0	2	2.6
% of total	32.9	21.4	17.1	28.6	77	100.0

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

term, largely unproductive investments, such as social capital. From whatever profit they make, they have to deduct high interest rate payments. The large percentage of micro entrepreneurs in the control group borrowing from private money lenders also underlines the contribution microfinance schemes can make to improve the economic situation of its beneficiaries in the long run. The share of those accessing private money lenders for credit was much higher in the control group than in the CCISB member group, where even before joining the organization, only 34.6% borrowed from them, a percentage that decreased to just 13.1% after membership (see Chapter 7).

As was to be expected due to reasons given before, Kutch had the lowest share of micro entrepreneurs accessing private money lenders (46.7%, Tab. 9.37). At the same time, Kutch also had the highest share of micro entrepreneurs who borrowed from their relatives (33.3%, as compared to just 16.7% in Patan). In Sabar

Kantha, the fact that 95% had to ask private money lenders for loans only illustrates to what extent the Muslim population is vulnerable and deprived of any other option. It is likely that most in the family network suffered from significant losses of income and are struggling themselves. Accessing banks or financial institutes is not an option for most of the interviewed micro entrepreneurs (only 6.5% stated to have done so). The fact that one third of the interviewees stated to have received loans from banks may be explained by the fact that in past decades, the Indian government had tried several schemes to improve the financial situation of finances for farmers. This was, however, a long time ago.

9.6 Strength of/threats to the business

9.6.1 BPL card and insurance

Although most of the interviewees of the control group not organized in a Chamber of Commerce lived of 1-2 Dollars a day which is defined as absolute poverty, 58.7% reported not to possess a BPL card officially declaring them as poor. The arbitrary distribution of the BPL cards was already discussed previously, and the same structural patterns show again. Nevertheless, regarding the possession of a BPL card, there were again significant **differences between the districts**: whereas 100% in Sabar Kantha and more than half of the interviewees from Patan (54.4%, Tab. 9.38) stated having a card, this was only the case for 3.1% in Ahmedabad and 33.3% in Kutch. It is possible that a strong Islamic lobby behind the refugees living in Relief Camps in the district of Sabar Kantha took care of their beneficiaries by helping them get BPL cards. As a predominantly rural area, the rather high share of BPL card possession among interviewees from this district reflects to some extent the actual socio-economic situation. In Ahmedabad, however, no one really knows exactly how many hundreds of thousands of people dwell in slum communities that have been constructed illegally. This is also the case in Bhuj, Kutch, where most of the slum communities in which this survey took place were illegally constructed. People living in illegal settlements were wary about contacting government authorities for BPL card because of drawing attention to their illegal settlements and endangering that these get torn down. This fear is not ungrounded. During the Bhuj Reconstruction Project in 2005, participants from the University of Basel witnessed how a whole slum community that was visible on a satellite image and that had been visited in the 2005 survey project had disappeared by the time the project finished, to make place for a highway. Thus, many poor do not officially register to receive aid, for fear of be expelled from their homes. This contributes to their miserable conditions because they would be entitled to receive aid, but do not ask for it. This could be the main reason why in Ahmedabad and Kutch, rather low proportions of interviewees reported the possession of a BPL card.

Tab. 9.38 BPL card possession, according to districts

BPL card \ District	Ahmedabad (n=32)	Kutch (n=30)	Patan (n=22)	Sabar Kantha (n=20)	Total (n=104)
BPL card	3.1	33.3	54.5	100.0	41.3
no BPL card	96.9	66.7	45.5	0.0	58.7
Total	100.0	100.0	100.0	100.0	100.0

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

90% of the interviewed control group did not have insurance at all (Tab. 9.39), and here, a distinct difference between the control group and the interviewed CCISB members shows, where 95.1% of the latter group signing up for disaster insurance with CCISB membership. The control group, being exposed to the

Tab. 9.39 Insurance

Insurance	Frequencies	
	absolute	%
yes	10	10.0
no	90	90.0
Total	100	100.0

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

same types of disaster, is clearly in a comparatively worse situation, with no insurance covering damages, destruction and loss of income. Furthermore, the micro entrepreneurs of the control group do not have access to microfinance schemes, but instead mostly borrow from private money lenders, paying high interests. When disaster strikes – and the question in Gujarat is not if, but when it strikes – these micro entrepreneurs are in a very insecure situation, with low savings, no insurance and no microfinance schemes helping them to recover from disaster and build up resilience.

9.6.2

Unique selling propositions

The major *selling propositions* named by the control group were the same the interviewed CCISB members had indicated: “**good behavior**” and “**quality of products**” (26.3% and 16.8% of the control group, Tab. 9.40). As was outlined before, these selling propositions are universal and independent of context or culture – no matter whether in industrialized countries or in the informal sector of India. As was the case before, Muslims in particular made “good behavior” their unique selling proposition (100% in Sabar Kantha, Tab. 9.41) because be-

Tab. 9.40 Unique selling propositions

Unique selling propositions	Frequencies	
	absolute	%
quality of products	44	16.8
quantity of products	11	4.2
cleanliness	35	13.4
good behavior	69	26.3
good service	35	13.4
good location	32	12.2
regular	33	12.6
other	3	1.1
Total	262	100.0

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

Tab. 9.41 Unique selling propositions, according to districts

Unique selling propositions \ District	Ahmedabad (n=32)	Kutch (n=30)	Patan (n=22)	Sabar Kantha (n=20)
quality of products	40.6	40.0	13.6	80.0
quantity of products	15.6	13.3	0.0	10.0
cleanliness	46.9	53.3	4.5	15.0
good behavior	46.9	93.3	27.3	100.0
good service	25.0	36.7	40.9	35.0
good location	12.5	30.0	36.4	55.0
regularity	53.1	30.0	0.0	35.0
other	3.1	3.3	4.5	0.0
% of total	30.8	28.8	21.2	19.2

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

ing a minority, they pay attention to the way they are perceived by the mainstream society. It is of note that for nearly all selling propositions, interviewees from Patan showed the lowest proportions of micro entrepreneurs naming them, as if they had less knowledge and awareness concerning business strategies. But then, for farmers, certain types of unique selling propositions might simply be less important. However, it is remarkable that even among farmers, only 13.6%

considered quality an important asset, as compared to shares between 40% and 80% in all other districts. Even if one thinks that quality might be less important than quantity in an agricultural setting – given the supply chains for vegetables and differing prices described previously – it is remarkable that none of the interviewees from Patan considered this an issue. The fact that just 4.5% of interviewees from Patan named “cleanliness” an important aspect, as compared to 53.3% in Kutch and 46.9% in Ahmedabad also says something about hygiene standards and priorities in rural areas. It seems that in contrast to urban areas, where dirt is omnipresent and cleanliness therefore an important selling proposition, in rural areas there is less of awareness regarding hygiene issues and their importance as to selling products. Generally, in Patan, where illiteracy rates are particularly high, a picture of lacking awareness and knowledge as to what is important regarding business sales emerges.

9.6.3

Expenses for/investment in quality of life

Investment purposes. *As has already been observed among the CCISB members, the two main investments of the control group are “social purposes” (33.9%) and “festivities” (23.5%, Tab. 9.42), together making up more than 57% of investments. If loans are invested in such purposes, then it is evident that profit does not increase, and if furthermore, savings are used for it, then they cannot be used for disaster risk reduction or business related matters – in short: for long-term investments. Although 17.6% – a surprisingly high share – indicated to invest in child education, it is likely that boys are systematically preferred as the literacy rate of women is extremely low. “Saving” itself constitutes an important investment to increase social security for only 16.7% of the interviewees, which in turn means that for 83.3%, savings are not a major investment for increasing quality of life or social security, in a way Westerners might understand the concept. However, savings can be a starting point for increased financial capital, economic stability and a positive long-term development.*

Again, the **differences between the districts** as to investments for quality of life are striking: only 4.8% in Patan, but 66.7% of the interviewees in Kutch indicated savings were important (Tab. 9.43). The awareness in Patan as to long-term productive investments is apparently lacking, whereas exorbitant interest rates in Kutch and the constant need for quick cash might motivate micro entrepreneurs of this district to save money. Patan, however, was the district where a maximum share of micro entrepreneurs (85.7%) invested mainly in social purposes. At the same time, Patan was the only district where everyone reported to invest something in quality of life. This pattern underlines to what extent personal financial choices can worsen an already miserable economic situation: without savings, but with a priority on spending high amounts on social capital – money that is borrowed – one cannot make ends meet in the long run. Sabar Kantha was the district with highest education level averages, and just as was the case for inter-

Tab. 9.42 Investments in quality of life

Investment in quality of life	Frequencies	
	absolute	%
nothing	7	3.2
child education	39	17.6
entertainment	10	4.5
festivities	52	23.5
savings	37	16.7
social purposes	75	33.9
other	1	0.5
Total	221	100.0

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

Tab. 9.43 Investments in quality of life, according to districts

District	Ahmedabad (n=31)	Kutch (n=30)	Patan (n=21)	Sabar Kantha (n=20)
Investment in quality of life				
nothing	9.7	6.7	0.0	10.0
child education	6.5	36.7	38.1	90.0
entertainment	0.0	26.7	4.8	5.0
festivities	74.2	53.3	61.9	0.0
savings	35.5	66.7	4.8	25.0
social purposes	58.1	70.0	85.7	90.0
other	0.0	3.3	0.0	0.0
% of total	30.4	29.4	20.6	19.6

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

viewed CCISB members, a large majority of the control group (90%) stated they invested in their children's education, as compared to just 6.5% in Ahmedabad.

In short: all of the interviewed micro entrepreneurs are prone to disaster and marked by a high degree of vulnerability, especially in rural areas where income and savings are low. However, more than external conditions that all of the interviewees are subject to, it is personal priorities of investment and financial choices that determine whether or not households on a micro level start a positive cycle of development, or whether they increase their economic vulnerability through disproportional and short-term spending.

Annual amounts spent for quality of life. The overall distribution of annual amounts spent for/invested in quality of life peaks at 3001-5000 Rs (25.8%, Tab. 9.44). However, still 16.5% invest up to 10 000 Rs per year, and 11.3% – more than one in ten interviewees – spent even more than 10 000 Rs a year for quality of life, whether the money is there or not. The comparison between **districts** (Tab. 9.44) and between **urban and rural areas** (Tab. 9.45) highlights some remarkable differences. The districts of Patan and Ahmedabad showed the highest investments for quality of life: 26.3% and 23.3%, respectively, spent up to 10 000 Rs a year on quality of life, and nearly half of the interviewees from Ahmedabad spent up to 5000 Rs. Interviewees from Patan ranked highest with 57.9% spending more than 10 000 Rs a year, predominantly for social purposes.

Tab. 9.44 Annual amounts spent for/invested in quality of life, according to districts

Annual amount spent for/invested in quality of life	District	Ahmedabad (n=30)	Kutch (n=28)	Patan (n=19)	Sabar Kantha (n=20)	Total (n=97)
nothing		6.7	7.1	0.0	5.0	5.2
1-1000 Rs		3.3	14.3	0.0	75.0	20.6
1001-3000 Rs		20.0	28.6	10.5	20.0	20.6
3001-5000 Rs		46.7	35.7	5.3	0.0	25.8
5001-10000 Rs		23.3	14.3	26.3	0.0	16.5
> 10000 Rs		0.0	0.0	57.9	0.0	11.3
Total		100.0	100.0	100.0	100.0	100.0

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

Tab. 9.45 Annual amounts spent for/invested in quality of life, according to urban and rural areas

Annual amounts spent for/invested in quality of life	Urban/rural areas	urban (n=73)	rural (n=22)
nothing		6.8	0.0
1-1000 Rs		16.4	36.4
1001-3000 Rs		21.9	18.2
3001-5000 Rs		32.9	4.5
5001-10000 Rs		19.2	9.1
> 10000 Rs		2.7	31.8
Total		100.0	100.0

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

At the same time, incomes and savings in this district are low. This disproportional spending behavior – Patan shows the highest share of micro entrepreneurs spending above 10 000 Rs – cannot but destabilize an already weak financial situation. In contrast, 75% in Sabar Kantha indicated that they only invest up to 1000 Rs per year, and although 90% of the interviewees from this district reported to invest in social purposes (Tab. 9.43), the handling of finances of micro entrepreneurs from Sabar Kantha is by far more reasonable than elsewhere, given the generally poor economic conditions of the micro entrepreneurs in the districts under study. This rational spending behavior of Muslim interviewees can be linked to their generally higher education levels, and with it, a different financial literacy, too.

The differentiation of annually invested amounts according to urban and rural areas underlined some distinct characteristics of financial behavior (Tab. 9.45): whereas nobody in rural areas stated not to have invested at all (6.8% of the urban interviewees said “nothing”), nearly a third of the rural micro entrepreneurs (31.8%) declared they spent more than 10 000 Rs per year, as compared to just 2.7% of the urban interviewees. Given a monthly income of 2400 Rs, and possibly 28 800 Rs per year, amounts of above 10 000 Rs constitute more than a third of the annual income invested in social rather than financial capital. It is striking that those who have the least – rural micro entrepreneurs with irregular incomes – spend the most. Education and financial literacy as to the handling of own resources are a crucial step for any development efforts because current financial choices are not necessarily productive. In sum, the control group showed similar structural patterns as to the handling of finances by interviewed micro entrepreneurs organized through CCSIB, but differences are even sharper and structural features even more obvious. Such patterns are determined by cultural aspects, but results of this survey suggest such cultural norms should be questioned. This type of social capital replaces financial capital and destabilizes a financially already vulnerable situation.

9.6.4

Business and personal success

Business success. Whereas among the interviewed CCISB members, a clear majority of 55% stated that their business was successful, the opposite picture emerged for interviewed micro entrepreneurs not assisted by any organization or microfinance scheme (Tab. 9.46): a majority of 39.4% declared their business needed improvement and mostly specified they needed help with financial matters, i.e. “I need money”, “I need better cash flow”, “I need financial support”. A cumulative 75.9% of the interviewees of the control group either considered their business was just “average” – an indirect statement that it was not doing well – or definitely needed improvement. In this self-evaluation of all interviewed micro entrepreneurs, the success of CCISB and its microfinance support becomes apparent: *a majority of CCISB’s beneficiaries considers their business as successful, which clearly is not the case within the control group.*

Tab. 9.46 Business success

Business success	Frequencies	
	absolute	%
successful	25	24.0
average	38	36.5
needs improvement	41	39.4
Total	104	100.0

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

Tab. 9.47 Definition of personal success

Definition of personal success	Frequencies	
	absolute	%
having a personal house	78	29.5
sending the children to school	30	11.4
being able to give loan/credit to someone else	3	1.1
getting respect/attention	31	11.7
being able to pay social expenses without hesitation	52	19.7
being invited to social events	33	12.5
having individual savings	33	12.5
other	4	1.5
Total	264	100.0

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

The fact that nearly all of the interviewees of the control group admitted they had financial problems and needed help – or simply “money” – points out that the problem has been recognized, but solutions are lacking and awareness of personal responsibility missing. There is a need to learn how to use personal resources productively for long-term goals in order to make the most of what one has. NGOs and development aid agencies clearly have a role to play in training micro entrepreneurs of the informal sector at household level with respect to the handling of finances. Micro enterprises, in turn, can increase their capacity for sustained earnings by linking up with NGOs and/or business associations, thus building up a new social capital that can trigger the increase of actual financial capital, thus bridging social and financial capital.

Definition of personal success. Personal success was defined by the control group as “having a personal house” (29.5%, Tab. 9.47), “being able to pay social expenses without hesitation” (19.7%) and “by being invited to social events” (12.5%), as well as “saving” (12.5%). Personal success was mainly defined by social status, and in this definition, *CCISB members and the control group did not differ* structurally to a great extent. However, there were differences between study areas. A majority of 44.2% of the control group stated their personal situation was “good” (Tab. 9.48), but 40.4% said it was just “average”. Here it is worth taking a closer look. Whereas 68.8% of the interviewees from Ahmedabad said their situation was “good” (Tab. 9.48), only 18.3% in Patan said the same, with a majority finding their situation “rather bad” (31.8%). In contrast, this was only felt by 0% and 3.3% of interviewees in the other districts. The share of micro entrepreneurs from Patan who explicitly say their situation was bad is ten times higher than in other districts. There is an obvious relation between certain financial patterns observed in this rural district, and evident financial problems. Here it seems evident that personal financial decisions and priorities of investment have made a difficult situation “rather bad”. This relation needs to be worked on specifically if long-term positive development is to be promoted. Change is not only an issue at the macro level, it has to happen at the micro level of individuals as well by re-evaluation of personal handling of finances.

Factors of business success. As to the indicated factors of business success, remarkable differences between the CCISB member group and the control group could be discerned. Whereas among the interviewed CCISB members, a clear majority named “savings” as a main factor of business success, among the control group, “regular business” ranked first (37.3%, Tab. 9.49), followed by “reputation in society” (22.5%), and only then by “savings” (21.3%). This pattern further strengthens the impression that *the control group emphasizes social aspects – such as “reputation” – more than financial aspects like savings and*

Tab. 9.48 Personal situation, according to districts

Personal situation \ District	Ahmedabad (n=32)	Kutch (n=30)	Patan (n=22)	Sabar Kantha (n=20)	Total (n=104)
very good	3.1	13.3	4.5	0.0	5.8
good	68.8	43.3	18.2	35.0	44.2
average	21.9	40.0	45.5	65.0	40.4
rather bad	3.1	3.3	31.8	0.0	8.7
n.a.	3.1	0.0	0.0	0.0	1.0
Total	100.0	100.0	100.0	100.0	100.0

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

Tab. 9.49 Factors of business success

Factors of business success	Frequencies	
	absolute	%
good business assets	14	8.3
reputation in society	38	22.5
not to pay high interest rates	10	5.9
having savings	36	21.3
regular business	63	37.3
other	8	4.7
Total	169	100.0

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

avoiding high interest rates. This focus could already be seen with respect to investments, where savings were considered secondary to social expenses. It is of note that among the control group, only 5.9% indicated “not to pay high interest rates” was a factor of business success, whereas this was the second main aspect named by the interviewed CCISB members, right after savings. It becomes apparent that *CCISB members demonstrated a different perception regarding the handling of finances*: savings and avoiding unnecessary costs like high interest rates were perceived as factors enhancing business success. With such an attitude, business success is an objective within reach. In contrast, over 50% the control group stated their situation was average or rather bad, which might be linked to their different priorities as to business strategies and investments.

9.6.5

Disaster impact and disaster risk reduction

Disaster impact. A cumulative 96.8% of the interviewed control group reported to have suffered from some kind of disaster impact – be it loss of infrastructure (27.5%, Tab. 9.50), loss of products (33%) or income (36.3%). However, the comparison of disaster impact reported in the districts under study shows that Sabar Kantha has been affected the worst, with 100% of the interviewees from this district indicating to have suffered all of the damages mentioned. In Ahmedabad, for example, only 25.8% said they had suffered from the destruction of their infrastructure. Again, these figures illustrate that the worst kind of disaster is man-made, especially when it targets a specific social group that cannot escape it.

Generally speaking, the *control group is as prone to disaster as the CCISB member group, but less prepared*: literally no one had disaster insurance – the opposite was the case for CCISB beneficiaries – and less micro entrepreneurs of

Tab. 9.50 Disaster impact, overall and according to districts

Disaster impact	District	Ahmedabad (n=31)	Kutch (n=30)	Patan (n=22)	Sabar Kantha (n=20)	absolute	%
	destruction of infrastructure/ loss of business		25.8	46.7	36.4		
loss of products		83.9	43.3	4.5	100.0	60	33.0
loss of income		6.5	80.0	90.9	100.0	66	36.3
no damage		9.7	6.7	4.5	0.0	6	3.3
Total		30.1	29.1	21.4	19.4	182	100.0

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

the control group stated to save money. As a result, the control group is more vulnerable and disaster, not if but when it strikes, will have a much greater impact. Nevertheless, even if a majority had disaster insurance, this would not cover man-made disaster, which is why paradoxically, even with disaster risk reduction measures, some segments of society remain more vulnerable than others.

Disaster risk reduction measures. A cumulative 52.3% either stated they did nothing to reduce their disaster risk, or that they were not able to do anything, although they would like to (Tab. 9.51). In other words: more than half of the interviewees of the control group had not undertaken any measures to reduce their disaster risk. 29.2% indicated they had extra savings to handle disaster occurrence, but only 9.2% had disaster insurance. These figures illustrate that the *majority of the control group is not prepared for disaster*, although in the State of Gujarat, disaster is very likely. Even if these micro entrepreneurs report small progress regarding their businesses and economic situation, without intensive efforts towards disaster risk reduction, any progress will be annihilated with the next major disaster impact. With respect to disaster risk reduction, the *positive effect of CCISB membership* clearly shows, since a majority of the CCISB beneficiaries have at least insurance and show a greater awareness of the necessity to prepare.

The district of Kutch – severely hit by the 2001 earthquake – has the *highest percentage of micro entrepreneurs of the control group with an insurance (26.7%, Tab. 9.52) and extra savings to handle disaster occurrence (53.3%)*. Their *experience has taught them how crucial disaster preparedness is, even when no organization offers assistance*. In contrast, the highest proportion of interviewees stating they were unable to prepare for disaster was observed in the district of Patan (54.5%). However, micro entrepreneurs of this district also have the highest social expenses and the least savings; their perceived inability to undertake any disaster risk reduction measures is strongly linked to different priorities with respect to finances. Awareness raising in this area is necessary. Micro entrepreneurs

should be aware that they are not only prone to physical disaster they cannot influence, but also to socio-economic disaster that is linked to individual handling of finances and priorities of investment. In a sense then, this means that when scarce financial capital is used up by social capital in the form of festivities and social expenses, there is no money left for long-term business investments, for instance disaster risk reduction measures. Therefore, being part of a social network (like a business association, savings scheme or revolving credit fund) that enhances the building of financial capital could serve to bridge a new form of social with increased financial capital, instead of replacing one by the other.

Tab. 9.51 Disaster risk reduction measures

Disaster risk reduction measures	Frequencies	
	absolute	%
nothing	28	21.5
insurance	12	9.2
improvement of construction/infrastructure	6	4.6
learning about disaster risk reduction measures	1	0.8
extra savings to handle disaster occurrence	38	29.2
I'd like to do more, but I'm not able to	40	30.8
other	5	3.8
Total	130	100.0

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

Tab. 9.52 Disaster risk reduction measures, according to districts

Disaster risk reduction measures	Ahmedabad (n=32)	Kutch (n=30)	Patan (n=22)	Sabar Kantha (n=20)
nothing	40.6	16.7	13.6	35.0
insurance	3.1	26.7	9.1	5.0
improvement of construction/infrastructure	3.1	10.0	4.5	5.0
learning about disaster risk reduction measures	0.0	3.3	0.0	0.0
extra savings to handle disaster occurrence	34.4	53.3	27.3	25.0
I'd like to do more, but I'm not able to	18.8	53.3	54.5	30.0
other	0.0	3.3	4.5	15.0
% of total	30.8	28.8	21.2	19.2

Source: UNIVERSITY OF BASEL, DEPT. OF GEOGRAPHY AND ALL INDIA DISASTER MITIGATION INSTITUTE, AHMEDABAD, INDIA. Social Science Survey in Sept./Oct. 2008 in selected communities of the Cities of Ahmedabad, Bhuj (District of Kutch) and Modasa (District of Sabar Kantha) and in villages of the District of Patan, Gujarat. Principal investigator: N. SLIWA

9.7 Main findings on micro entrepreneurs not organized in a Chamber of Commerce

The following subchapter summarizes selected structural features of business and investment strategies of the control group of micro entrepreneurs not organized in a Chamber of Commerce (Box 9.1), before drawing conclusions from a comparison of both of the groups, those organized and those not organized in a Chamber of Commerce.

Dimension	Observation/Finding
Education levels/ gender aspects	<ul style="list-style-type: none"> • Every second woman of the control group was illiterate, as compared to just 14.3% of the male interviewees. Although generally, education levels were low – again with comparatively better results in Muslim Sabar Kantha and lowest results in rural Patan – gender discrimination concerning education was predominant in all districts and even more obvious within the control group than within the CCISB member group. • Gender specific differences emerged regarding the handling of finances and the access to assistance/relief. Women tend to handle finances more carefully (smaller loans). More women than men (47.1% versus 15.9%) received some kind of assistance. This further underlines the tendency of women to take a pragmatic approach to finances, asking for assistance when it is available. In contrast, men in the survey showed a different spending behavior (higher loans) and preferred not to ask for help, possibly due to a stronger social-status orientation that hinders them (“losing face”).
Business characteristics	<ul style="list-style-type: none"> • A majority of the interviewed micro entrepreneurs of the control group were self-employed, had a fixed business and owned it. However, a majority had not been able to expand the business due to economic instability and financial problems. Most interviewees indicated they needed financial support concerning their business. • The same market structures are valid for both the control group and the CCISB members, with market demands differing in urban and rural areas.
Assistance/relief	<ul style="list-style-type: none"> • A large majority of the control group (73.8%) had not received any assistance or relief, neither from NGOs nor from the government, although all of them reported incomes that reflect absolute poverty. Nearly 60% had not received a BPL card officially recognizing them as poor, and were therefore not eligible for government poverty assistance. This indicates just to what extent the Indian government has and is failing to alleviate poverty.
Supply	<ul style="list-style-type: none"> • A surprisingly high percentage of interviewees of the control group reported they purchased between 50% to 100% of their supplies in cash (cumulative 68.4%), getting discounts or credit as a result. • The share of those purchasing from just one supplier was smaller than among the CCISB member group; furthermore, less micro entrepreneurs of the control group apparently made use of intermediaries for their supplies.

Box 9.1 Overview of structural patterns and selected findings from the quantitative analysis of the control group

Dimension	Observation/Finding
Credit, loans and investments	<ul style="list-style-type: none"> • Private money lenders constitute the primary source of credit and loans among the control group because they have no other access to funds. The same structural patterns as for the CCISB group regarding interest rates and duration of credits were to be observed among the control group due to their living and working in the same contexts (fast, urban economy with high cash demand versus slow rural economy). • The main investments made with loans were social expenses (25%), livelihood (19.4%) and health (13.7%), with particularly high social expenses in rural areas like Patan, where literacy rates and incomes are low and social capital all the more important. Loans taken for social purposes or health problems obviously do not increase a micro entrepreneur's profit, but rather increase economic vulnerability due to high interest rates that need to be paid and no productive long-term investments that would pay off.
Income/profit/savings	<ul style="list-style-type: none"> • Household incomes were mostly between 49 and 98 Dollars a month, which makes a daily income of 1.63 to 3.26 Dollars. One in every ten interviewees lived off 24.50-49 Dollars a month. These figures represent family incomes, with business costs still needing to be deducted and the remaining amount divided by the number of persons per household. • Nearly half of the micro entrepreneurs of the control group saved – mostly up to 20 Rs per day – which was a much higher percentage than observed among CCISB members before they had joined the organization. District specific differences were again striking, with 93.3% in Kutch reporting to save (a necessary survival strategy given the particularly high interest rates for credit in this district) and 90.9% in Patan not saving (awareness and knowledge as to the handling of finances is lacking in rural areas).
Insurance and disaster risk reduction	<ul style="list-style-type: none"> • More than 90% of the control group had no insurance whatsoever, which is in sharp contrast to the CCISB member group where more than 90% did have disaster insurance provided by the NGO. • More than half of the interviewees of the control group indicated they had either done nothing or were not able to do anything for disaster risk reduction (a cumulative 52.3%). In a state where disaster will strike again with certainty, a majority of the micro entrepreneurs is not prepared for it, and long-term progress cannot take place because even if these micro entrepreneurs manage to improve their economic situation, this improvement will be annihilated by the next disaster.
Success	<ul style="list-style-type: none"> • The control group focused on “reputation” rather than on savings or “not paying high interest rates” as factors of success. A majority of the control group said they needed to improve their businesses, an aspect not mentioned as much in the CCISB member group.

Box 9.1 (continued) Overview of structural patterns and selected findings from the quantitative analysis of the control group. Source: N. SLIWA 2009: Business and investment strategies of micro enterprises in disaster affected areas of Gujarat, India. Social Science Survey: Sept./Oct. 2008

The comparative analysis of business and investment strategies of both CCISB members and the control group allowed the following observations to be made:

- *at the macro level of districts*, several patterns were similar or identical between the two groups under study, such as
 - the dependency on private money lenders for loans due to lack of access to other sources
 - high interest rates and a short duration of credits particularly in Kutch and Ahmedabad

- smaller incomes, profits and savings in rural areas like Patan and
 - a strong tendency to take high loans for social purposes.
- *at the micro level of individual micro entrepreneurs*, CCISB members and control group members differed in their financial behavior. These patterns indicate that micro entrepreneurs left to cope on their own develop highly rational strategies to secure their livelihood, taking advantage of chances when opportunity arises. Although CCISB members had a much higher rate of saving, it was with the non member group where a distinct survival thinking was apparent:
 - interviewees of the control group purchased more in cash than the member group before joining CCISB
 - interviewees of the control group avoided purchasing from intermediates charging higher prices
 - interviewees of the control group preferred not to take loans or asked their relatives in order to avoid high interest rates and financial dependency.
 - *With reference to impact of NGO (CCISB) assistance*, clear benefits could be identified:
 - *physical vulnerability* decreased with increasing disaster risk reduction measures. Nearly all of the interviewed CCISB members had disaster insurance to cover damages of up to 95,000 Rs; almost nobody from the control group was insured.
 - *financial vulnerability* decreased as CCISB members could move away from private money lenders to microfinance, thus reducing their costs and financial dependency. The control group did not have this access to microfinance and consequently stated “help with financial matters” was a major concern.
 - *social vulnerability* decreased due to improved economic conditions. Relatively more CCISB members than control group members judged their overall situation as “good” or “very good”, indicating their business was successful, too. In contrast, the micro entrepreneurs of the control group felt that neither their personal, nor their business situation was good.
 - *Although the micro entrepreneurs who were not organized in an NGO demonstrated rational strategies, the support of an NGO like CCISB clearly has a positive impact that shows economically.* Survival strategies and rational behavior cannot replace a lack of support from NGOs or government authorities. Micro entrepreneurs are usually situated at the bottom of society. It does not need much for them to take further steps to improve their livelihood – an NGO, like CCISB, can offer valuable assistance here.

Part III – Conclusions

10 Main findings, conclusions and suggestions for further research

“The chief energy must be concentrated on achieving reform from within.” (MAHATMA GANDHI)

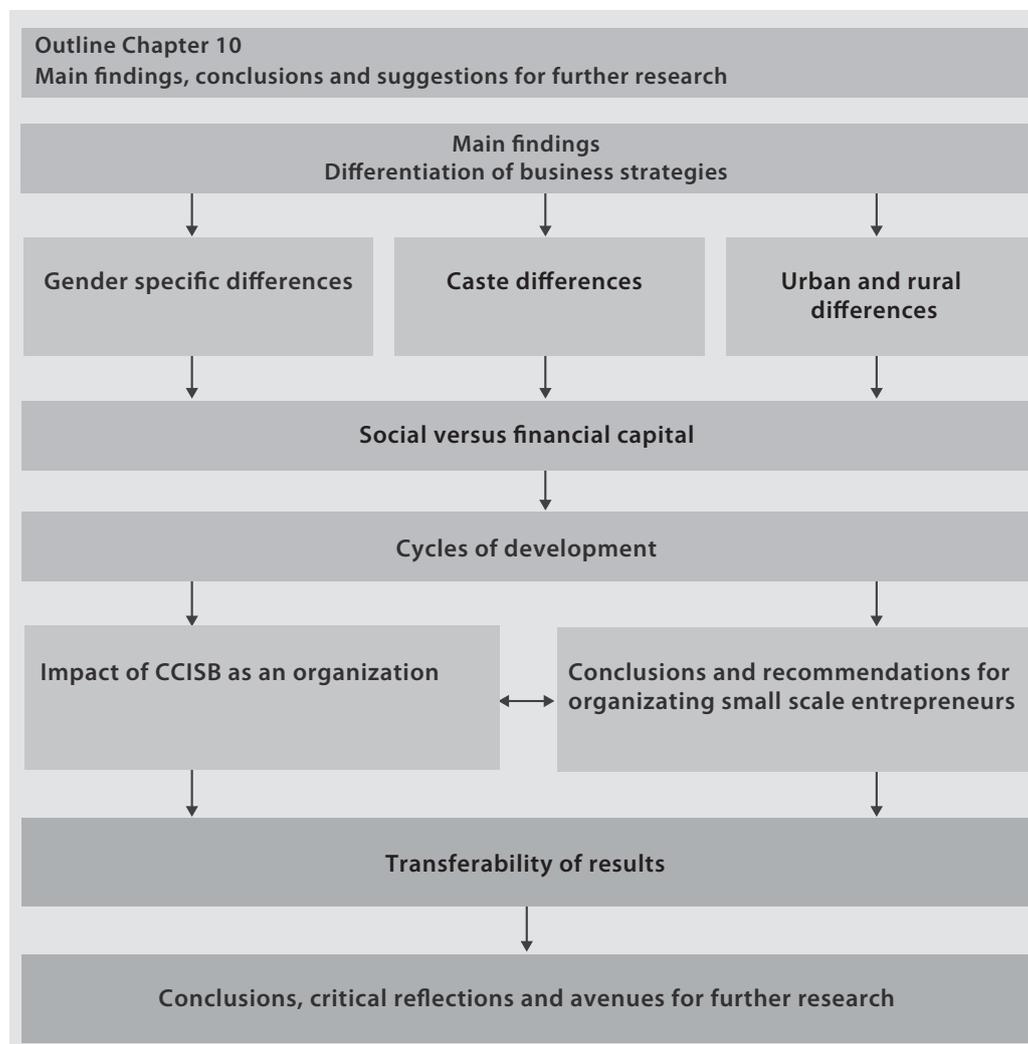


Fig. 10.1 Outline Chapter 10. Source: Author's design

10.1 Overview of findings

The following chapter presents main findings from the comparative quantitative empirical analysis of business and investment strategies of the members of the Chamber of Commerce, Industries and Small Business (CCISB) and a control group (micro entrepreneurs not organized in the CCISB or in any similar form of organization), by integrating insights gained from the qualitative analysis of the case studies. The chapter begins with a brief overview of findings in the four districts under study with particular emphasis on structural constraints such as gender, caste and geographic location (urban/rural areas and district). This is followed by a discussion of the impact of personal decisions with respect to social and financial capital on economic vulnerability and the importance of promoting a culture of saving, emphasizing the valuable contribution this study makes towards greater understanding of these aspects. Attention is also paid to cycles of development and factors of success, as well as the impact of institutional/organizational embeddedness. The chapter closes with a discussion on the transferability of the approach, critical reflections and avenues for further research.

10.1.1 Gender specific findings

This study shows that business and investment strategies differ between the sexes, as does the handling of finances. The gender specific patterns can be summarized as follows:

- **Relationships.** Within the CCISB member group, twice as many female micro entrepreneurs than male micro entrepreneurs stated that with CCISB membership, their relationship with other micro entrepreneurs had improved. This indicates that women pay more attention to **social networks** as a business strategy than men. This may be particularly relevant in a male-dominated society where solidarity among women can serve as a facilitator of development and change. The insights from social capital theory as applied here support the assumption that social networks in the form of business associations have a special role in building up financial capital, as was observed when women reported to a higher degree that they had received financial assistance. This also attests to the strength of women centered networking approaches as a pillar of development.
- **Assistance.** In the control group, a significantly higher percentage of women than men reported that they had received some kind of assistance or relief (female: 47.1%; men: 15.9%). Although illiteracy rates were much higher

amongst women than men, women sought and found assistance more often. This could be an indication of a more pragmatic approach of women to problems, with greater willingness to ask for help when needed; the men seemed to have a stronger social-status orientation making them more hesitant to admit they needed help. In light of improving family economic situations, empowering women by facilitating access to business associations and organizing them in self-help networks might increase chances of households benefitting from assistance, more so than appears to be the current situation in male-headed households (only 15.9% had asked for assistance despite dire need).

- **Disadvantages of CCISB.** The perception of CCISB's disadvantages was gender specific: more men than women found the amounts of the Revolving Fund too small. This indicates that men have a tendency to look to money to solve their problems rather than making the best use of available resources, the latter being an aspect observed more among the female micro entrepreneurs interviewed.
- **Business types.** In both survey groups, a gender-specificness of business types could be observed, with "female professions" focusing more on textile industries (sewing, stitching and selling of garments) and selling of utensils, and "male professions" including electric work, cycle repairs and daily wage earning.
- **Purchasing practices.** The purchasing practices of female and male interviewees before and after joining CCISB clearly changed, with a significantly higher percentage of women than men purchasing in cash after joining CCISB (women: 24.1% before and 47.3% after; men: 9.8% before and 30.3% after). These figures support the argument that women use money more carefully, avoiding debt where possible.
- **Sources of credit.** Within the CCISB member group, a considerably higher percentage of men than women turned to private money lenders for credit, even after funding support from CCISB (men: 48.1% before and 22.7% after; women: 26.8% before and 6.8% after). At the same time, a greater proportion of women to men did not take credit at all (women: 29.6%; men 11.6% before joining CCISB). This indicates again that women tend to handle their finances more carefully than men by avoiding exploitative conditions that create unnecessary costs; by buying in cash, they remain more self-reliant.
- **Credit conditions.** Credit conditions for women and men differ considerably, with women generally getting worse conditions: whereas nearly 30% of the interviewed male CCISB members reported receiving credit for one year periods, only 6.3% of the interviewed females received the same conditions, with 78.1% having to repay credits within a month (male: 59.1%). These figures not only reflect prevailing gender discrimination, but offer a possible explanation for the attention paid by women to careful use of existing finances before resorting to credit. This discrimination has the advantage of making women more self-reliant.

- **Increase of credit.** Women and men apply different strategies to increase their credit. Although both sexes in the CCISB member group considered “a good relationship” with their creditor an important factor, an even higher share of women than men thought “paying back regularly” or “paying back faster” was the most important factor (women: 16%; men: 8.2% after joining CCISB). More women than men also expanded their business in order to facilitate credit access.
- **Loans.** Many more female CCISB members than male members reported that they did not take any loans at all (69.3% versus 34.1%). This either reflects discrimination concerning accessibility to loans or differences in approaches to solving financial problems. At the same time, more men than women stated they continued to take loans despite funding from CCISB (men: 34.9%; women: 12%).
- **Amounts spent on quality of life.** Nearly six times more male than female interviewees of the CCISB member group reported spending more than 10 000 Rs annually on quality of life (men: 28.7%; female: 5.4%). A majority of the women in this group (41.9%) set their annual budget for quality of life at 5000 Rs. Men tended to show a disproportional spending behavior with respect to their generally very low incomes, whereas women on the whole set realistic limits. This finding supports the argument that women tend to handle scarce finances more carefully.

10.1.2

Caste aspects

As was outlined in Chapter 3, most of the interviewees from the CCISB member group and the control group belonged to the Scheduled Castes (formerly known as “Dalits” or “Untouchables”), with the rest, as Muslims, belonging to the Other Backward Castes. Considering that both groups are at the bottom of the caste hierarchy, differences between the two groups may be related more to minority/majority issues than to caste. The interviewed Muslims, including Muslim women, generally had higher education levels than the Hindus interviewed; they also reported higher incomes, which indicates that they focus on upward social mobility through education and specific professions. At the same time, as was discussed in previous chapters, they are more vulnerable than Hindus as a group, because as a minority, they are not only exposed to the same natural disasters, but to man-made disasters as well. For the latter form of disaster, insurances cannot help. This explains why the interviewed Muslims generally took up loans to reconstruct buildings after the riots and recover from the damage suffered, whereas the Hindus used loans predominantly for business expansion. These patterns highlight the particularly heavy impact of man-made disasters: they mostly affect specific segments of society that remain vulnerable in spite of comparatively good assets such as high education levels and high incomes.

10.1.3

Findings related to urban and rural areas

Differences between urban and rural areas concerning socio-economic conditions, investment strategies and the handling of finances were considerable. In both survey groups, the CCISB member group and the control group, female illiteracy was highest in rural areas. At the same time, significantly more men than women in rural were interviewed, reflecting with all probability a greater adherence to traditional roles in rural households. Main differences observed were:

- significantly less interviewed micro entrepreneurs in rural areas than in urban areas purchased in cash, particularly in the CCISB member group (rural: 2.9%; urban: 22.2%)
- more rural interviewees made use of private money lenders than urban interviewees (rural: 58.6% before and 32.9% after joining CCISB; urban: 30.8% before and 8.4% after)
- rural micro entrepreneurs saved smaller amounts than urban interviewees
- every second rural interviewee still made use of external loans despite CCISB funding (51.4%), only 13.4% of urban micro entrepreneurs did the same
- despite CCISB membership, rural interviewees continued to take very high loan amounts of over 5 000 Rs.

In sum, rural micro entrepreneurs not only took higher loans, but also had less income and savings; spending was disproportional to income and handling of finances appears generally less cautious than in urban areas. Indicators of economic and financial vulnerability in rural areas (high debts, smaller incomes and profits, disproportional spending behavior) might be determined by the fact that these are traditionally male-dominated contexts in which women do not have much say; the women are mostly illiterate, generally do not contribute to the family income and often have no influence on the handling of finances in a household. The handling of finances in rural areas, then, appears to be marked less by geographic location and conditions of income generation than by male behavioral patterns characterized by a more status-oriented handling of money than seen among women. Thus, it is possible that the greater financial and economic vulnerability and higher underdevelopment seen in rural areas may at least partially be rooted in gender-discrimination. It is possible that there is a link between the degree of gender-discrimination and the degree of vulnerability and economic stagnation.

10.1.4

Findings related to the four districts under study

An overview of findings and structural features from the quantitative and qualitative analysis of data from both survey groups is presented in the table below according to the four districts under study. A short synthesis is included, summarizing relevant aspects mentioned in previous chapters to each of the four districts.

Tab. 10.1 Summary of selected structural findings with respect to the four districts under study

	Ahmedabad	Kutch
Structural constraints		
Education levels/ gender aspects	<ul style="list-style-type: none"> • Generally, education levels in these districts were low. A majority of interviewees had only completed primary school. • Wives usually had one educational level less than male family heads: if the husband had been to primary school, his wife was illiterate, etc. • In Bhuj, more business women were interviewed than elsewhere, possibly reflecting the longer duration of CCISB's efforts here, targeting women in particular. 	
Behavioral/decision-related constraints		
Social expenses/ investments	<ul style="list-style-type: none"> • Social expenses constituted a major investment for all interviewees. • However, in the fast urban economy of the two districts of Ahmedabad and Kutch, demand for cash is high and credit conditions are exploitative. This is why in these areas, "savings" were regarded as a main investment to avoid unnecessary costs caused by high interest rates. • Other productive investments included disaster risk reduction measures and business improvement – regardless of CCISB membership, hinting at the entrepreneurial spirit in these urban areas. • A majority of the interviewees had expanded their business. • Interviewees of the control group who had never received any assistance were less able to expand. 	
Purchasing practices	<ul style="list-style-type: none"> • Due to quick turnover and a high demand for cash in these urban areas, micro entrepreneurs in both groups purchased a maximum in cash. • In Bhuj, discounts were rather low. Purchasing in cash mainly ensured easy access to credit. • The percentage of micro entrepreneurs in Bhuj purchasing from intermediaries was comparatively high, possibly due to the remote location of Kutch within the State of Gujarat and less options. 	
Credit conditions/ loan amounts	<ul style="list-style-type: none"> • The interest rates in the district of Kutch were the highest and the duration of credits the shortest. Typical interest rates were at 10% per day. Findings for Ahmedabad were similar. • In fast urban economies with a quick turnover and high demand for cash, money lenders can dictate such terms of credit. • By prioritizing savings, rather asking relatives for loans and borrowing smaller amounts, micro entrepreneurs adapt to these structural patterns. • The shift from private money lenders with exploitative credit conditions to microfinance schemes is crucial for a long-term economic improvement in these districts. 	
Success factors	<ul style="list-style-type: none"> • In Ahmedabad and Bhuj, "savings" were named as a main factor of business success. With rather bad credit conditions, the awareness of the value of creating own funding resources was high. • In all districts, personal success was defined through social status, such as "being able to pay social expenses without hesitation" or "having a personal house". 	
Synthesis on characteristics of the districts under study		
Pertinent aspects	<ul style="list-style-type: none"> • The urban districts Ahmedabad and Kutch are marked by a high degree of entrepreneurship and a prosperous, fast-moving economy with a high demand of cash, translating into high interest rates and short duration of credits, but also into a priority of saving money to avoid costs. • Kutch has a history of handicraft and trade. The district's long coastal line has always promoted a spirit of entrepreneurship and international trade. Traditional Kutchi work (textile and silver) is known not only throughout India but worldwide. • In Ahmedabad, industry, and especially textile mills played an important role in the city's economy until the 1980's. The communities under study were located next to the city's multiple textile mills. Formerly, textile mill workers lived there. The areas have turned into slums. 	

Source: N. SLIWA 2009: Business and investment strategies of micro enterprises in disaster affected areas of Gujarat, India. Survey: 2008

Tab. 10.1 Summary of selected structural findings with respect to the four districts under study (continued)

Patan	Sabar Kantha
Structural constraints	
<ul style="list-style-type: none"> • Illiteracy rates in the rural contexts of Patan were comparatively high, and particularly so among the few women that were interviewed. 	<ul style="list-style-type: none"> • Education levels of interviewed Muslims were generally rather high, and women in particular were comparatively well educated (middle school). • Possibly, the Muslims' minority status in India makes them focus on upward social and economic mobility through education
Behavioral/decision-related constraints	
<ul style="list-style-type: none"> • Given the low average monthly income of 2400 Rs and generally little or no savings, social expenses in Patan were excessive. • Generally, more than a third of the annual income was used for social purposes, with a majority spending more than 10 000 Rs annually for it, using up savings and taking loans to do so. 	<ul style="list-style-type: none"> • Sabar Kantha had the highest share of micro entrepreneurs investing in "child education" (80%- 90%), illustrating to what extent education or illiteracy are passed onto future generations. • Parents with good education levels know the value of this resource and ensure that their children have similar chances, whereas illiterate parents struggle more to recognize the importance of formal education. • Sabar Kantha had the highest proportion of interviewees stating they did not have money to invest, possibly indicating how bad the situation of the riot victims still was.
<ul style="list-style-type: none"> • Interviewees in Patan mainly bought large quantities from wholesalers, with discounts between 5-10%. • This structural pattern is linked to the predominant farming sector in this district: supply and sales usually comprise large quantities and wholesale practices. 	<ul style="list-style-type: none"> • Due to scarce finances in Sabar Kantha as a result of the riot impact and difficult income generation in Relief Camps, micro entrepreneurs from this district purchased less amounts in cash. • However, efforts to buy more in cash were visible. CCISB members shifted from retailers to wholesalers after joining.
<ul style="list-style-type: none"> • With annual interest rates of 2-5%, credit conditions in the slow rural economy of Patan seemed less exploitative. • However, high loan amounts of more than 10 000 Rs for social expenses increase economic vulnerability even if interest rates are comparatively low. 	<ul style="list-style-type: none"> • A majority of micro entrepreneurs continued to take loans even after joining CCISB, mainly to cover health expenses, any unexpected costs or daily living expenses, since these were not covered by CCISB's Revolving Fund. • After the riots, the Muslim population seemed to remain economically vulnerable: they could not save enough money to cover unexpected costs or had no other option than to access funds through private money lenders.
<ul style="list-style-type: none"> • In Patan, "good business assets" were considered a main factor of business success, reflecting the generally poor standard of infrastructure in this district. • Financial or behavioral factors of success such as "savings" or offering a "regular" service were seen as less important. 	<ul style="list-style-type: none"> • Main factors of business success mentioned in Sabar Kantha were being able to save money or send the children to school. This reflects the generally better education levels of interviewees in this district. • A particularly high number of households named "having a personal house" as a defining factor of personal success, probably due to the fact that many families had lost their houses during the last riot and lived in a Relief Camp.
Synthesis on characteristics of the districts under study	
<ul style="list-style-type: none"> • Patan is a very rural district marked by agriculture and a remote location within the State of Gujarat, long transport routes, lack of access to infrastructure, dependence on seasons and thus, irregular incomes, low purchasing power and economic vulnerability. • As a consequence, there is a strong emphasis on building social capital. • High illiteracy rates and significant gender discrimination translate into a specific handling of finances and economic imbalance. 	<ul style="list-style-type: none"> • Sabar Kantha is characterized by a large Muslim population that has been heavily riot affected. • Education levels, also among women, were comparatively high, as was income. • However, economic vulnerability remained high due to the added risk of man-made disasters and its severe impact. All of the interviewees reported they had suffered from destruction of infrastructure, loss of business, loss of products and/or income. The interviewed Muslims continued to live in Relief Camps that were slowly turning into slums. Paradoxically, the social group with the best individual assets – good education and professions, high incomes – remained the most vulnerable, underlining the long-term consequences of man-made disasters such as riots.

10.2 Social versus financial capital

The micro entrepreneurs interviewed in this study are marked by a high degree of vulnerability, determined by external and internal factors. *External factors of vulnerability* are physical and economical constraints that can hardly be influenced by individual choices or capacities:

- natural and man-made disasters – micro entrepreneurs are prone to natural disasters that strike Gujarat with regularity. Additionally, some segments of society, such as the Muslim population, regularly face man-made disasters for which it is nearly impossible to take precautions at the level of individual households
- poverty – micro entrepreneurs are generally situated at levels of absolute poverty, creating severe economical constraints
- lack of support schemes – micro entrepreneurs cannot rely on any social security systems, welfare or poverty schemes for support
- marginalization – many are neglected by government authorities due to vague definitions of poverty, and NGOs struggle to make up for the failings of the state.

Within these constraints, micro entrepreneurs act rationally. They take specific decisions regarding finances, investments, risk reduction through social capital and the like – decisions that are taken from a survival-thinking perspective. These individual decisions are *internal factors that can increase or decrease vulnerability* within the framework of the micro sector.

In a context without social security systems, let alone functioning welfare or poverty schemes, where the poor are neglected and on their own, their rationale is evident: they start building up their own social security systems. Based on their cultural framework, the poor in India invest in their relationships and networks of friends, neighbors and fellow businessmen who support them in case of need, and this makes sense: when, to give an example, a poor man in an Indian slum community falls ill, he cannot possibly expect a doctor to visit him in the slum, but the poor man can rely on his neighbors with whom he has built up a good relationship over time to give him medication, food and any kind of support that he might need. This social network functions immediately, and this is why it is so important for the poor.

“People who are poor have no power of money, but they have a power of relationship. Just like other people invest in a bank, they have to invest in these relationships. It is part of their existing caste systems, where cultural backgrounds are the same. For certain festivities, it is about making gifts (for example, the brother gives the sister a gift), for marriages, you have to contribute an amount, for funerals, you have to follow traditional procedures. If you fail to do certain things in a certain way, you look bad. There is a social pressure from the social support system that poor people have to rely on. So they have to borrow money for social expenses in order to fulfil tradition and accepted “standards”. However, support and community feeling within a social group of the same language and of the same caste are strong. People can rely on each other, for instance, when they need medicine, when they have to borrow a vehicle, and so on. Social gatherings are common and function as part of the social security system”.

Source: PANDIYA, M., pers. comm., Sept. 22, 2008

In short: the poor invest in their social capital – the only insurance and social security system they feel they have. Although the importance of social capital in contexts of state failure has been widely accepted, no study is known to have analyzed the specific amounts invested in social capital in the micro sector in India in relation to other investments made in the same household. This study shows, by analyzing in detail the amounts and purposes of household investments, that **social capital goes to the detriment of financial capital and thus, increases vulnerability.**

A majority of the interviewed micro entrepreneurs reported incomes between 2400 and 4800 Rs a month, which is equivalent to 49-98 US-Dollars in 2009, resulting in annual incomes of 28 800 to 57 600 Rs. If micro entrepreneurs spend more than 10 000 Rs a year for social purposes and festivities, these expenses easily exceed more than one third of an annual income of 28 800 Rs. Such investments are usually made to the detriment of savings and generally are only possible by taking up additional loans, two parameters that dramatically increase economic vulnerability. No life insurance would cost as much. Another aspect is that when everyone is hit by disaster, social capital alone does not build up long-term resilience: everyone is in the same situation and economically very vulnerable, and therefore, help offered from neighbors is short-term relief at the most, but does not constitute long-term disaster risk reduction.

The rationale behind exorbitant investments in social capital is evident considering the lack of functioning social security systems, but these investments are not productive from an economic perspective: social capital cannot make up for financial capital that was fully invested in social capital. Short-term social expenses have long-term economic consequences: savings are used for social expenses, and additionally, loans and interest rates have to be repaid, either using up more savings or lowering incomes yet to be earned. Economically speaking, it would be more productive to simply accumulate savings on a bank account than to spend them for social purposes. Accumulated financial capital – even if the amounts are small – would help to alleviate poverty and to build up resilience regarding disasters. The following two graphs serve to illustrate these two contrasting processes: failure because of disproportional short-term spending or success based on long-term productive investments.

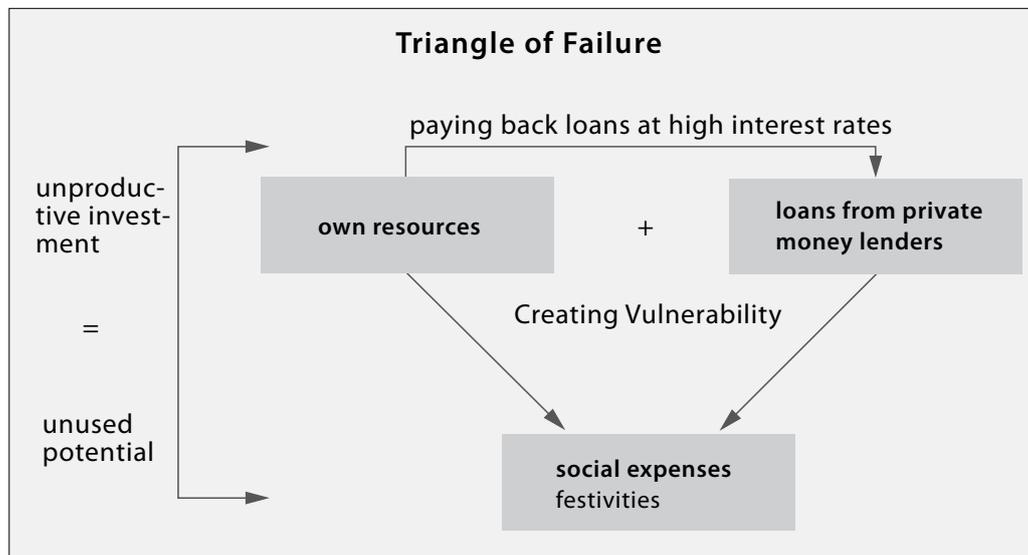


Fig. 10.2 Triangle of Failure. If own resources and loans from private money lenders at high interest rates are used for social expenses and festivities (social capital), vulnerability is intensified and economic failure likely. Own resources are used unproductively in two ways: for social expenses, on the one hand, and in order to pay back loans at high interest rates, on the other. Thus, the potential of own resources, no matter how scarce they are, is lost in the long run, because social expenses are paid to the detriment of general savings, emergency savings in view of disaster occurrences, business investments and child education. Concept: N. SLIWA

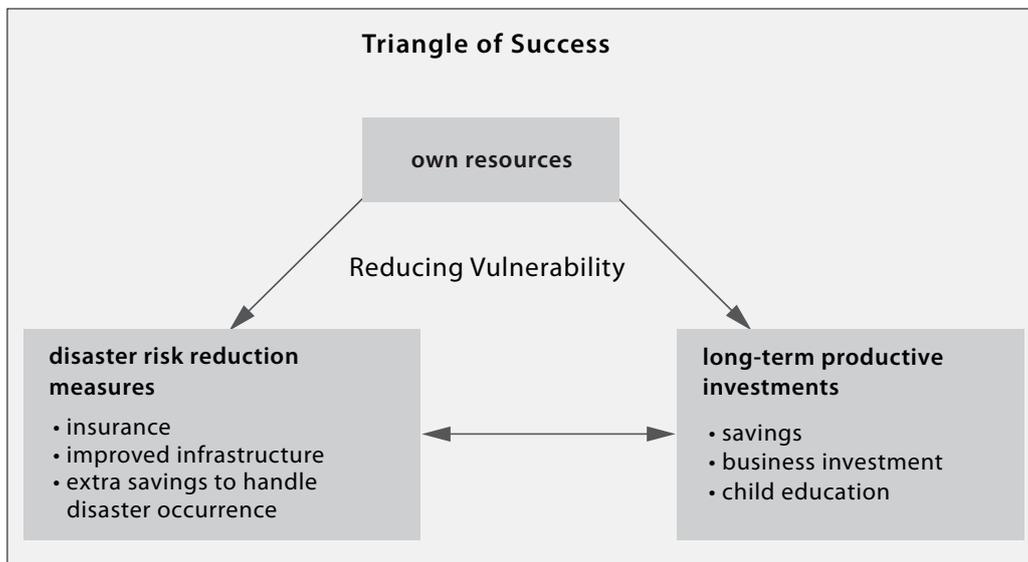


Fig. 10.3 Triangle of Success. Productive use and investments of own resources, no matter how scarce they are, reduce vulnerability in the long run and enable a household's economic success. Productive investments are, for instance, savings, business-related investments or child education, as well as all measures intended to reduce a household's disaster risk, such as insurance, improved infrastructure and extra savings to handle disaster occurrence. The combination of these long-term productive investments is shown as a triangle of success. Concept: N. SLIWA

The findings in this study, in particular related to the investment in social capital over financial capital, call for a critical reflection of predominant cultural norms that accept and even demand such excessive investments in social capital. In India, social capital theory which holds that focusing on building up social capital is able to stabilize livelihood security, has relevance. This survey shows, however, that investments in social capital in the form of social expenses actually weaken the financial basis of micro entrepreneurs of the unorganized sector in India. A large majority of the interviewees not only invested massively in this type of culturally shaped social capital, but pointed out at the same time that they needed help regarding finances. Why, then, does the theory of social capital have a different outcome in countries like India, as compared to industrialized countries, where “networking” is important, too? The difference is that in industrialized countries, “networking”, “socializing” and other forms of social capital are just *an addition to financial capital* and other strategies for economic and professional success – the approach here is multisectoral. In contrast, in the Indian context under study, *social capital replaces financial capital* and is the only strategy applied – a monodimensional approach that goes to the detriment of financial capital and other strategies geared towards economic and professional success. This is why the connection between social and financial capital should be made understood by business associations teaching financial literacy, enhancing savings or facilitating access to micro credit. There are multiple reasons why individual savings – no matter how small they are – and a cautious, productive use thereof should be emphasized even more in community-based development work. Through savings,

- financial discipline is learned
- financial capital is built
- awareness of own potentials rises
- long-term perspectives become determinants of financial decisions, because with savings, the focus shifts beyond daily survival.

10.3 Cycles of development

The previous subchapter dealt with individual priorities of investment and financial choices, determined by rationales of survival-thinking and by cultural norms and constraints. Own resources created through long-term savings were portrayed as a factor of success. This aspect is looked at from the perspective of business development here. As was observed in this survey, purchasing business material in cash led in some districts to discounts of up to 10%, which increased income and profit. With increased profits, own resources grew, and more could be purchased in cash, again increasing income and profit. A cycle of positive development was initiated that might in time translate into long-term business success.

However, when own resources grow and savings increase, a positive development has only started – the decisive point as to whether or not long-term business success is achieved is again determined by individual investment priorities and financial choices. When savings increase, the question is what individuals decide to do with them. They may use the savings as financial capital and for long-term productive investments – laying a solid basis for economic success – or for short-term social expenses, paving a way towards economic failure. The key factor of development here is again at the micro level of the individuals, their investment priorities and handling of finances. The following figure illustrates the described cycle of positive development that is started by purchasing in cash, increasing profits and savings.

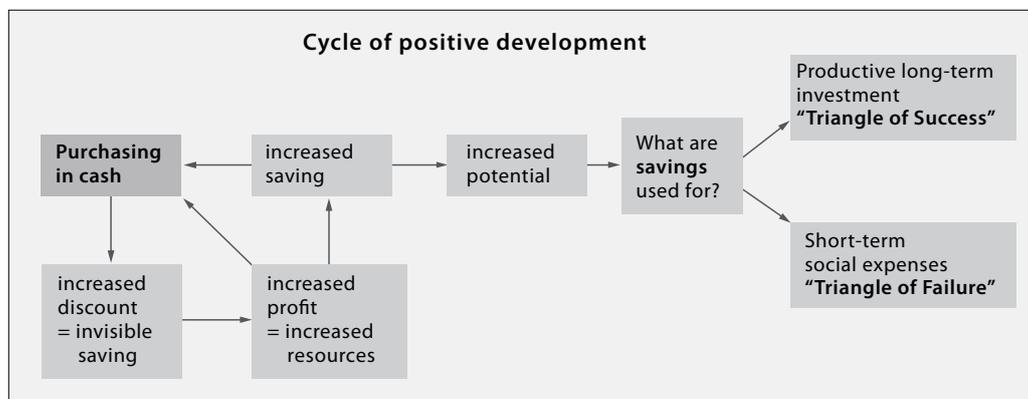


Fig. 10.4 Cycle of positive development. The starting point of a “cycle of positive development” is purchasing in cash. The more one purchases in cash, the higher the discount is, which, in itself, constitutes an invisible saving. As a consequence, profits as well as resources increase. With increased resources, even more can be purchased in cash and savings increased. Increased savings translate into increased potential. At this point, the crucial question is what savings are actually used for. The answer one chooses to that question is a turning point: either savings are used for productive, long-term and frugal investments (= triangle of success), or for short term social expenses (= triangle of failure). Concept: N. SLIWA

In contrast to a cycle of positive development started by purchasing in cash, purchasing on credit starts a cycle of negative development. Taking credits to purchase business material has two main immediate consequences. On the one hand, relying on private money lenders charging high interest rates makes micro entrepreneurs purchase smaller quantities to avoid high debts, and with fewer quantities, less is sold and incomes are smaller. On the other hand, from these already lowered incomes, high interest rates have to be deducted that again lower profits and consequently, the capacity to purchase in cash next time. In the long run, such structural patterns prevent an accumulation of own resources that would not only increase the capacity to purchase in cash, thus generating discounts, but would also help build up resilience when disaster strikes or unexpected financial problems (health costs, i.e.) occur. Without own resources

(savings), micro entrepreneurs have no other option than to continuously take credits and loans. A debt spiral starts from which it is difficult to escape. The following graph illustrates the described cycle of negative development that begins by purchasing on credit.

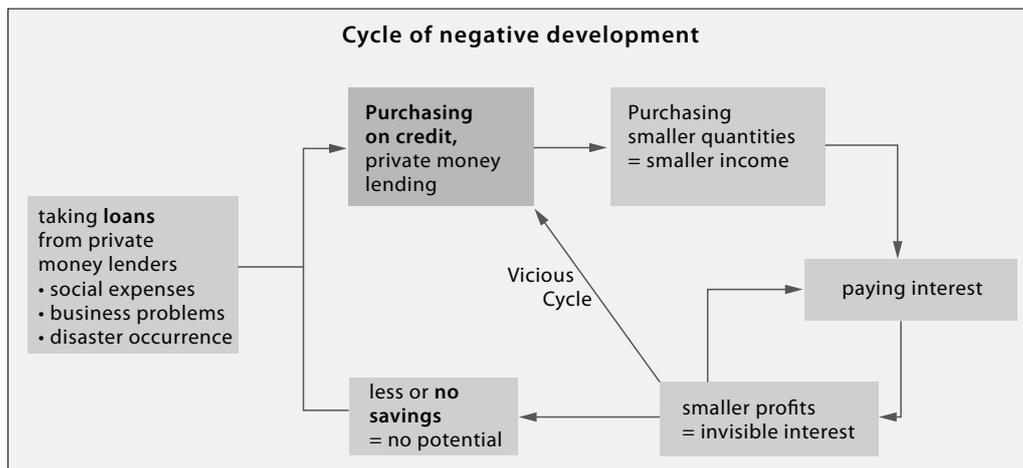


Fig. 10.5 Cycle of negative development. From the cycle of positive development, one can draw an analogy to the cycle of negative development. Again, individual purchasing practices are the starting point, this time purchasing on credit and relying on private money lenders. When purchasing on credit, smaller quantities tend to be purchased which translate into smaller income. This smaller income is further diminished by high interest rates. As a consequence, profits are smaller due to what can be called “invisible interest”, diminishing savings and potentials. When there are less or no savings, again, credit is necessary in order to purchase, which restarts the vicious circle of credit dependency, high interest rates and no savings. In addition, for social expenses, possible business problems or disaster occurrence, high loans from private money lenders must be taken because there are no savings that could be used to cover these costs. Concept: N. SLIWA

Both at the individual and the business level, a key factor of success is to have own resources, and these are created through savings. Savings are generated when individuals put a priority on saving, no matter how small the amounts are. *Saving money is an attitude*, and this individual attitude marks the beginning of a positive development – it is a personal priority on productive handling of finances. Poor people without financial literacy and lack of education in general might need to be taught how to handle finances frugally, shifting from short-term survival thinking to long-term perspectives. They are able to improve economically by using own potentials, but training and capacity building are crucial, and NGOs have an important role to play, serving as facilitators of change.

10.4 The impact of CCISB

10.4.1 Comparative approach: micro entrepreneurs with and without CCISB membership

The comparison of a group of micro entrepreneurs organized in the Chamber of Commerce for Industry and Small Scale Businesses with a group of micro entrepreneurs not organized in such a way allowed observations regarding:

- *Differences among the micro enterprises* with respect to
 - business and investment strategies
 - structural constraints in the districts under study
- *the impact of a business association like CCISB* regarding
 - the development of businesses (expansion, increase of income and profits)
 - the handling of finances (loans and credit, investments, savings)
 - disaster preparedness and resilience.

The following table briefly summarizes important aspects related to the perceived impact of CCISB as stated by the micro entrepreneurs surveyed.

10.4.2 Results from the comparison

Three major conclusions can be drawn from the comparison of micro entrepreneurs assisted by an NGO like CCISB and those not organized in such a way:

- *CCISB as facilitator of development.* A business oriented NGO like CCISB can offer the initial push for positive development. However, progress happens at the micro level of individuals because individuals can increase or decrease their vulnerability through personal attitude and behavioral patterns, as was seen in this survey concerning unproductive investment purposes, for example.
- *Training and capacity building* is necessary to enable the poor to help themselves. An NGO like CCISB has an important role to play in accompanying development processes by building up capacity and knowledge through *train-*

ing. It is not just the funds it provides that make a difference. In this survey, this was highlighted particularly regarding the handling of finances and priorities of investment.

- *Without assistance, vulnerability remains, although there is a seemingly rational behavior.* Although micro entrepreneurs not assisted by anyone behave rationally within their constraints (purchasing in cash, borrowing from relatives, building up social capital), they remain much more vulnerable as compared to those associated with the CCISB because
 - they have no access to micro finance or funds at fair conditions which forces them into the arms of exploitative private money lenders
 - they have no training to build up financial literacy, thus increasing their economic vulnerability through unproductive short-term investments marked by survival-thinking and social capital strategies
 - they have no insurance to protect them from the next disaster that will strike them with certainty. Whatever economic progress they might have made, with the next disaster, they will have to restart from scratch. In the long run, they are unable to build up resilience and become self-reliant.

10.4.3

Evaluation of and recommendations for CCISB

The analysis of the impact of CCISB membership should not end without taking a further look at the organization itself. For this, expert interviews were carried out with representatives from:

- CCSIB and its parent organization AIDMI
- SEWA and SETU, long-established and successful NGOs well-known throughout India
- the National Bank for Agriculture and Rural Development (NABARD), a major governmental institution for microfinance that works with and through NGOs
- the World Bank and the United Nations UNISDR (International Strategy for Disaster Reduction).

Experts were:

- Ms. Arpita Chhatrapati, AIDMI and CCISB trustee, Board of Directors, interviewed Oct. 20, 2008
- Mr. Hasamukh Sadhu, AIDMI field coordinator and CCISB Secretary General, interviewed Oct. 4, 2008
- Mr. Sanchit Oza, AIDMI free coordinator, interviewed Oct. 4 and 7, 2008
- Mr. Mehul Pandiya, AIDMI evaluation coordinator, interviewed Sept. 18, Oct. 7 and 18, 2008
- Ms. Manali Shah, SEWA's Vice-President during the interview, interviewed Oct. 17, 2008

Tab. 10.2 Impact of CCISB on micro entrepreneurs, as illustrated by a comparison of the two survey groups

Aspect	CCISB members
Assistance	Micro entrepreneurs associated with CCISB have received or have access to <ul style="list-style-type: none"> • relief and assistance through AIDMI's Livelihood Relief Fund • AIDMI's disaster insurance Afat Vimo • and CCISB's micro finance scheme (Revolving Fund).
Business development	76% of the interviewed CCISB members declared that they had expanded their business since joining – a clear indicator of economic improvement.
Purchasing practices	Clear shift towards buying more in cash after membership. The percentage of those purchasing their materials only in cash doubled with CCISB membership (15.3% to 36.7%). Before joining CCISB, 44.1% purchased up to 50% in cash, afterwards, 43.5% purchased up to 75%, and 32.6% purchased everything in cash.
Income and profits	With CCISB membership, reported incomes and profits of the interviewed CCISB members increased significantly. Before membership, 22.8% earned between 51-100 Rs a day, and 27.7% indicated daily earnings of 101-200 Rs. After joining CCISB, however, 19.8% reported more than 200 Rs a day (before: 7.4%), 17.8% had a daily income between 400-500 Rs and 12.9% above 500 Rs per day (before: 6.5% and 2.5%, respectively). Accordingly, profits also increased: whereas before joining CCISB, 77.1% of the interviewees reported daily profits of up to 100 Rs a day, afterwards, 20.4% had daily profits of up to 100 Rs a day and 52.5% had daily profits between 101-150 Rs.
Savings	Ability to save and amounts saved increased significantly with membership. Only 16.7% of the interviewed CCISB members indicated that they saved money before joining the organization – a share that jumped to 96.6% after becoming CCISB members. Amounts saved also increased: a majority did not save any money at all before membership, after membership 49.3% stated they had begun to save up to 50 Rs per day.
Source of credits	Before joining CCISB, 40.5% of the interviewees said they took credits from private money lenders. Only 16.9% continued to do so after becoming CCISB members, 80.1% relied on funds from AIDMI or CCISB.
Loans, loan amounts and sources	Reduction in need to take loans from other sources after CCISB membership; loan amounts generally relatively high. Whereas before becoming CCISB members, 64.7% took loans, only 26.5% continued to do once they had access to CCISB funds. A large percentage of interviewed CCISB members continued to take high loan amounts of more than 5000 Rs (58.8% before, 47.3% after joining CCISB).
Investments	A majority of the interviewed CCISB members indicated to invest their loans into their business (business expansion, i.e.), and the shares increased with CCISB membership. The other two important investment categories were social expenses and health.
Disaster preparedness	Disaster preparedness had greatly improved with CCISB membership. 95.1% of the CCISB members interviewed stated they had disaster insurance, and 79.4% had extra savings to handle disaster occurrence. Only 13.7% said they would like to do more for disaster risk reduction but were unable to.
Vulnerability	With CCISB membership, interviewees could reduce their physical and economic vulnerability for several reasons: <p><i>Physical vulnerability reduction</i></p> <ul style="list-style-type: none"> • nearly everyone now had disaster insurance • a majority had undertaken further disaster risk reduction measures, such as extra savings or improved construction of their property <p><i>Economic vulnerability reduction</i></p> <ul style="list-style-type: none"> • a majority reported to have expanded their business (=more assets that can be cashed in if necessary) • the shares of those purchasing in cash instead of taking credits had increased significantly • a majority had increased their income and profits • nearly everyone saved money regularly and could increase the amounts saved <p><i>Threats</i></p> <ul style="list-style-type: none"> • A large share still took loans for purposes not covered by CCISB (i.e. health costs) • Continuous high social expenses weaken economic capacities

Source: N. SLIWA 2009: Business and investment strategies of micro enterprises in disaster affected areas of Gujarat, India. Survey: 2008

Tab. 10.2 Impact of CCISB on micro entrepreneurs, as illustrated by a comparison of the two survey groups (continued)

Aspect	Control group of micro entrepreneurs not organized in a Chamber of Commerce
Assistance	73.8% of the interviewees of the control group stated that they had not received assistance or relief of any kind of. More than 90% did not have disaster insurance, although 96.8% had suffered from disaster impact.
Business development	75% of the control group stated they had <i>not</i> expanded their business.
Purchasing practices	Less purchased in cash. 34.8% purchased up to 50% of their material in cash, and 20.8% purchased everything in cash.
Income and profits	A high proportion of the control group stated they earned between 101-200 Rs a day (27.3%), and 11.7% had a daily income below 100 Rs. 68.2% reported an average daily profit of up to 100 Rs.
Savings	Savings perceived as a necessary factor to combat economic vulnerability. Savings amounts remained comparatively low. It is surprising that the percentage of micro entrepreneurs of the control group that stated they were saving was by far higher than amongst CCISB members before they joined the organization. Although 52.9% of the control group indicated they did not save money, nearly every second interviewee did (47.1%). This is a strong contrast to the 16.7% of the CCISB group that were saving before membership. However, amounts saved among the control group remained comparatively low.
Source of credits	Of the control group, 44.1% indicated that they turned to private money lenders for credit, and without assistance from NGOs or governmental authorities, this share is likely to remain as high in the future.
Loans, loan amounts and sources	Cautious behavior apparent concerning loans. A surprisingly high percentage of the control group (27.2%) declared that they did not take loans, 28.3% took loan amounts up to 5000 Rs and 40.4% took loans of more than 5000 Rs. 66.2% turned to private money lenders for loans.
Investments	Social expenses (25%) were the most important investment made by micro entrepreneurs of the control group, followed by livelihood (19.4%) and health (13.7%).
Disaster preparedness	High disaster risk. 90% of the interviewees of the control group stated that they did not have insurance. A cumulative 52.3% said they had done nothing to reduce their disaster risk or that they would like to do something but were unable to do so.
Vulnerability	Physical and economic vulnerability of the control group remained high: <ul style="list-style-type: none"> • a majority of the interviewees of the control group neither had insurance nor undertook other disaster risk reduction measures • a majority had not expanded their business in recent years, and incomes remained at a very low level • although a rather high proportion indicated to save money, social expenses were a main investment, using up savings and forcing people to take loans.

- Mr. Achyut Yagnik, journalist, writer and founder of SETU, interviewed Oct. 8, 2008
- Mr. US Shevde, General Assistant Manager, Microfinance Section in Gujarat, NABARD, interviewed Oct. 8, 2008
- Dr. Rakhi Bhavnani, a representative of the World Bank and UNISDR (United Nations International Strategy for Disaster Reduction), interviewed Oct. 14, 2008.

They were interviewed on the following aspects:

- Organizational structure and origin of CCISB, linkage with AIDMI
- approaches taken by CCISB/AIDMI
- levels of cooperation with other NGOs, i.e. SEWA

- levels of cooperation with the government
- vision for CCISB
- challenges for the future.

Furthermore, CCISB was rated and evaluated based on

- evaluation criteria of NABARD used for rating NGOs
- guidelines for organizations established by CAPART – the Council for Advancement of People’s Action and Rural Technology, an autonomous body functioning under the aegis of the Ministry of Rural Development, Government of India. CAPART supports more than 12 000 NGOs in implementing development initiatives. CAPART is also the organization concerned with blacklisting NGOs on behalf of the government (<http://capart.nic.in/orgn/index.html>, Sept. 3, 2009).
- insights gained from the expert interviews as well as from personal observations made during field work and research in India.

From these expert interviews and the evaluation based on NABARD and CAPART guidelines, CCISB’s deficiencies can be extracted and characterized as follows:

- **Structure is secondary.** CCISB has a priority on growing in numbers; its structure and infrastructure remain a secondary issue. This could be counter-productive in the long run: growth without defined structures could lead to chaotic conditions later. It is possible that it will be difficult to define structures later when problems already exist.
- **Lack of physical and financial infrastructure.** CCISB is anything but self-sustained and self-reliant. It cannot become a separate entity if it does not have an own address and own accounts to receive funds. Without infrastructure, an organization cannot apply for funding either – this is a negative circle.
- **Lack of business training.** Although CCISB is a Chamber of Commerce that aims at improving its micro entrepreneurs’ situation economically, it does not provide business development trainings on a regular basis. CCISB neither has qualified staff to conduct such business development trainings, nor does it invite experts for teaching.
- **Lack of specific projects.** Although CCISB’s main activities are outlined by the organization (Revolving Fund, disaster insurance – originally an AIDMI initiative, business development trainings and exposure visits among business people), specific projects are lacking or not communicated properly. Although business training could be considered a specific project, they have as yet not been held. This is a fundamental deficiency for an organization that aims at becoming self-reliant.

- **Weakness in funding approach.** At CCISB, funds are made accessible to members without demanding that they save first. Whereas the approach of giving a Revolving Fund to economically active members without interest is understandable in view of high interest rates charged even by microfinance institutes, the fact that own savings, a history of saving or a certain amount saved are not required from Revolving Fund recipients is not. Saving is a precondition of careful handling of finances and creates multiple benefits. It reflects financial discipline and literacy, aspects necessary if micro entrepreneurs hope to improve economically in the long run. As an organization mainly involved in microfinance, CCISB should put more emphasis on encouraging a culture of saving.
- **Weakness in developmental approach.** Although self-help groups have proven to be a highly successful approach to development (see Chapter 2), CCISB does not organize its members in such groups. This is all the more regrettable as self-help groups (or specific “business groups”) would help the poor in multiple ways – it would help them to organize themselves, allow experience to be gathered with respect to financial responsibility and develop leadership and self-reliance. The fact that CCISB does not integrate such an approach is a major deficit of the organization, also since the government supports NGOs forming self-help groups.
- **No linkage to banks and finance institutions.** Without demanding of its members to first save money before accessing funds and without forming groups first, CCISB cannot link up with finance institutions that would allow access to complementary funds and support systems for the NGO and its beneficiaries.
- **No specific focus on women in rural areas.** Although CCISB claims to specifically target women – and it might do so in urban areas – in this survey, it was seen that in rural areas, where women need support the most, CCISB does not focus on women at all. This is regrettable, because in rural and very traditional contexts, where economy is slow and poverty an even greater issue, a focus on the empowerment of women could also enhance economic development.
- **No focus on building up supply and sales chains.** If CCISB members had better supply and sales chains (access to markets where profits are higher or supply prices lower), they could increase their financial resources. The situation for supply chains in rural areas is particularly bad, and here, CCISB could target improvements for its members the way other NGOs, like SEWA, have done for theirs.
- **No health coverage.** CCISB does not offer health insurance or any support for its associated micro entrepreneurs to cover health costs. However, it is often health costs that keep people poor, and during the survey, the need for

health coverage was expressed by several interviewed micro entrepreneurs. CCISB should integrate this aspect into its activities. With its micro health insurance, SEWA has set a standard in this area.

- **Unclear profile.** On the whole, CCISB's profile is vague in comparison to other organizations, like SEWA, who have core competencies and are well structured. One might wonder what CCISB exactly does besides granting amounts of the Revolving Fund to its members (sponsored by AIDMI) and besides AIDMI's disaster insurance initiative. What is CCISB's individual own core competency?
- **Policy of non-cooperation.** Even if cooperation is time-consuming, difficult and the grounds to meet are small, simply *not trying* to cooperate is a wrong approach. If the poor are really the center of all efforts, then there should be reasons to get together to achieve the primary objective of helping the poor. Arguments of the type "cooperating takes away thinking-time" are self-centered. It is possible that CCISB is aware that they currently do not reflect standards of an NGO as defined by the Indian government and for this reason do not seek cooperation. As the evaluation of CCISB in this chapter shows, CCISB in its current form, structure and functioning, would not even be considered for governmental funding.

Recommendations. Having outlined CCISB's major deficits, some recommendations for basic improvements in the future conclude the chapter. Apart from the two major aspects of physical and financial infrastructure, the following suggestions could help the organization to better fulfill its mission:

- **Organize the poor in business groups.** Since self organization is a precondition of poverty alleviation that also helps people gain specific group and financial skills, the formation of self-help or business groups should be integrated into existing projects. This organizational structure of small groups gives people an identity, respect, ownership and increases their numbers – be it at slum or grassroots level. When people in the micro sector get organized, it is easier to link them to banks and mobilize other funds. For the future of CCISB, forming self-help or business groups would be a desirable change.
- **Train certain business groups specifically.** Training groups in certain businesses might be valuable as specific businesses have their own demands and constraints. These business groups could get training adapted to their specific needs. For food-related businesses, for example, training in food processing and hygiene matters could help improve the business and thereby, the micro entrepreneur's economic situation. Or members could be encouraged to shift from products to services to increase income. For example, housemaids or cleaning personnel could be trained in order to increase their qualification and quality of service. With additional qualification, the trained person's income would increase.

- **Charge nominal interest and use it for the common good.** Nobody expects interest free loans. As long as the interest is used for own common good, it helps the group as a whole. Charging a nominal interest would increase the fund as well as financial literacy of people who would learn that nothing comes without effort. Prioritizing savings before granting funds without costs is crucial.
- **Outsource when there is a lack of knowledge and learn.** It is important to outsource when one is not an expert. Other NGOs, for instance, the Ahmedabad Study Action Group, did so and often invited people from SEWA to teach their staff, in particular with respect to financial matters. SEWA is dealing with one million people, and a rather new NGO like CCISB could profit from SEWA's experience in the sector of micro entrepreneurs as well as in the handling of finances.

10.5

Transferability of results

This study put micro entrepreneurs of the informal sector in disaster affected areas of Gujarat and their business and investment strategies at the center, by comparing a group organized in an NGO giving financial assistance to a control group without assistance. The findings give insight into the mechanisms of cash flow and cycles of development in the region and indicate areas of change in development work in the future. Lessons that can be learned from the results of the study in Gujarat and aspects that can be transferred to development efforts at other scales and in other contexts are discussed here.

Micro entrepreneurs worldwide face different constraints – development strategies must take specific contexts into consideration. The informal sector in developing countries worldwide is made up of micro entrepreneurs who deal with constraints by applying specific survival and business strategies. Constraints differ between regions and countries, even if certain parameters are the same. The various constraints and associated needs have to be looked at closely in each context in order to answer the following questions:

- What are the greatest needs that micro entrepreneurs in a certain context have?
- What strategies do they develop to deal with these constraints? Are these strategies productive in the long-term?
- What factors hinder development in specific contexts and how can they be overcome?
- How should micro entrepreneurs in different contexts be supported to improve their situation in the long-term?

By paying attention to such research questions in specific socio-economic analyses, steps may be taken to develop efficient, context-/community-based strategies for poverty alleviation at a global scale, going beyond the micro level of micro entrepreneurs and individual households. Having this in mind, participatory research has to be promoted even more.

Microfinance schemes can help people move away from private money lenders and exploitative credit conditions, thus enhancing economic self-reliance. This initial input comes from outside, be it from NGOs or governmental institutions. However, such approaches must be accompanied by specific training to increase micro entrepreneurs' financial literacy and productive use of scarce resources if increased resources generated by such input are not to be squandered. NGOs can play an important role in this.

Social capital is a major concept in developing countries in general, and there are certainly advantages to it. However, when social capital is understood in a traditional sense, uses up (oftentimes borrowed) money and replaces all other strategies to build up financial capital – as was observed in this survey – people of the micro sector increase their economic vulnerability through personal financial choices. This is an aspect that appears to not have been discussed in the widely accepted theory of social capital to date. The impact the building of social capital has on an individual household's economic balance needs to be analyzed in different geographic contexts so as to draw conclusions on the enhancement of economic opportunities at the micro scale. Social and financial capital should increase mutually, by focusing on social networks that enhance the building of financial capital and financial literacy.

10.6

Main conclusions and avenues for further research

The following paragraphs present conclusions drawn from the study and critical reflections, while suggesting further avenues for research on micro entrepreneurs, their business and investment strategies.

Conclusions made in each section of the thesis are brought together, highlighting specific aspects related to

- the micro sector, as exemplified by micro entrepreneurs from various districts of Gujarat
- the handling of finances by micro entrepreneurs facing constraints and disaster risk
- the rationales of micro entrepreneurs without assistance
- the impact an NGO like CCISB can make

- the necessary changes such an NGO would need to undergo to become self-reliant and eligible for support
- suggestions for appropriate changes in current development cooperation and funding.

10.6.1

Conclusions of the study

Four main conclusions to be drawn regarding *behavioral patterns* and *large scale development work* based on the quantitative and the qualitative analyses of business and investment strategies of micro entrepreneurs in Gujarat is that

- **social capital can go to the detriment of financial capital**

Whereas in Western contexts, financial capital is abundant and the focus is on building social capital and networks, the opposite or somewhat paradoxical situation exists for micro enterprises in Gujarat. Here, building social capital in a traditional sense like through consumptive behavior and social expenses is an important concern, given the absence of official social security systems for many micro entrepreneurs. However, this may go to the detriment of building up financial capital. The degree to which building of *social capital replaces financial capital* has not been recognized or studied in much detail to date. Looking at social capital in the context of India, and Gujarat in particular, sheds new light on the broader concept of social capital and its consequences on the financial balance of households at the micro level in developing countries. This conclusion could be made by analyzing cash flows of individual households of the micro sector, their major investments, priorities of investments and amounts invested, savings and purposes of savings in detail. The research presented here shows that micro entrepreneurs who are vulnerable because of structural patterns out of reach of their own sphere of influence (disaster impact, low incomes) increase their vulnerability through individual financial choices and priorities of investment.

- **savings and financial literacy are main factors of success**

Savings serve the accumulation of own resources, enabling savers to become independent of credit needs and exploitative credit conditions, thereby contributing to increasing personal potential. However, as the research presented here outlines, the question is what savings are used for - long-term productive investments (child education, disaster risk reduction, business-related investments) or short-term social expenses? This is where financial literacy plays an important role. Several case studies illustrated that a disciplined and wise, long-term productive use of scarce resources is possible despite lack of formal education.

- **empowerment nurtures innovation and development**

Results of the analysis of quantitative data and the case studies indicate that women tend to handle finances more carefully than men by avoiding debts and private money lenders as well as by spending smaller amounts. Apart from the fact that this finding supports the approach taken by the Indian Government to specifically focus on women in the microfinance sector, this also sheds new light on rural poverty. The research presented here indicates that in rural, more traditional areas with lower education levels, women generally do not have much say in individual household finances; poverty in these areas is widespread and even more desperate than in urban areas where income generation is facilitated by fast moving economies. In rural areas in the regions studied, finances are even more scarce, debts and spending are higher and social capital investments excessive. These structural characteristics of the handling of finances in rural areas are in analogy to the handling of finances of men in this survey. However, it should also be pointed out that in rural areas, a large majority of men were interviewed, and only very few women.

The question is posed whether the economic situation in these rural areas could be improved if women were encouraged to contribute to the family income through development of innovative, home-based businesses and if they were given a say in the handling of finances at the household level (increasing their “intra-household bargaining power” and “control over earned income”, KANTOR 2005: 65). As illustrated in some of the case studies, women indeed have the potential to be very innovative in the development of profitable, home-based business ideas, contributing significantly to the overall improvement of the economic situation of their family. By redefining the traditional role of women through self-help groups, for example, and particularly in poverty-stricken rural areas, innovation and development at the micro scale could be enhanced. Empowerment could thus nurture innovation and economic development.

- **accountability of NGOs necessary for greater effectiveness and efficiency**

Despite decades of development efforts and money, the general masses of poor have remained poor. Since “setting up an NGO has become a business” and NGOs are mushrooming, the Indian Government has begun to rate and systematically evaluate NGOs in order to differentiate between black sheep and serious organizations. This evaluation has a direct impact on funding, with publically available blacklists for more transparency. By making NGOs accountable for their work and their use of finances, and by encouraging internal assessment of approaches that lead to success and failure, it is hoped that the effectiveness and efficiency of development work will improve. Accountability of NGOs at a large scale would seem to be the first step towards increasing the effectiveness of available resources.

10.6.2 Critical reflections and further research

The research presented here analyzed in detail the business and investment strategies applied by disaster affected micro entrepreneurs in Gujarat. It did so by comparing a group of micro entrepreneurs organized in a Chamber of Commerce for Industry and Small Businesses (CCISB) with a control group not receiving such support. This allowed observations to be made on the impact of such an NGO on the handling of finances of its members. Interviews with experts in appropriate contexts for the research focus provided insight into cooperation among NGOs in general, and into the workings of CCISB in particular that were summarized before. However, there are several aspects that could not be addressed as these are elaborated next.

Rural women. The study could not show how women in rural areas in particular manage their finances because the interviewees in rural areas were predominantly male. This was a deficit of the data collection caused less by the survey design than by its implementation. Consequently, it was not possible to compare how rural, predominantly uneducated women handle their finances in relation to

- men in rural areas
- women in urban areas.

It is argued here that women generally handle money more carefully and that poverty in rural areas is intensified by the fact that women here have less say in household expenditure and contribute less to income generation. A comparison of the way men and women in rural areas handle finances could have strengthened the argument that poverty in rural areas is linked at least partially to a lack of female empowerment. That there are evident gender-specific patterns with respect to the handling of finances has not gone unrecognized – neither in literature nor in policy, as may be seen in the Indian Government's strong focus on women's savings groups organized as self-help groups. To be able to interview more women in rural areas it would be necessary to work more with female interviewers and perhaps to set a different time for the interviews to allow women to be interviewed alone. This might encourage women to speak more freely. It would also be of benefit to specifically ask who is responsible for financial decisions in a particular household if the question of gender-specific outcomes of the handling of finances in a household is to be explored in more detail.

Social capital investment and financial consequences. The research presented here indicates that households/micro entrepreneurs try to build up social relations/social capital as a business strategy, and that this may go to the detriment of building up financial capital and stability. This finding is of relevance to the informal sector in developing countries at large, not only in India. Further research focusing on this aspect is necessary, concentrating for example on the perceived benefits of social capital investments, or on a more detailed analysis of

the financial consequences of building social capital. This aspect should be studied in contexts and regions where social capital is vital. Measures bridging social and financial capital whereby both are mutually increased need to be developed.

Motives and purposes of saving. A further interesting avenue of research would be to determine the underlying motives of savings. Here again, a gender specific differentiation would be of value. In this study, motives for saving money could be deduced by looking at the amounts saved in relation to the investments/expenses for quality of life where savings, but also social expenses and festivities were possible categories of response. Further research could specifically focus on the constraints women face in particular, motives for saving (and why men differ), and what makes women join self-help groups even when their husbands or mother-in-laws are against such a decision, or conversely, what keeps them from joining these groups. This could possibly give greater insight into the steps necessary to enhance economic progress of women to the benefit of whole families.

Health insurance for the poor is another major issue as findings presented here indicate that it is often health costs that keep the poor in an economically instable situation. CCISB's insurance policies do not cover health. Calculating benefits of such health schemes for the micro sector as a whole, and in particular, analyzing what economic impact micro health insurance could have on the poor should be dealt with in further research geared towards strengthening the economic resilience of the poor.

Riot insurance. Another aspect to be addressed in further interdisciplinary research would be to determine measures to protect certain segments of society from riots or similar man-made disasters. The findings presented here show that the impact of riots is worse than that of natural disasters and recovery takes more time: whereas major parts of the city of Bhuj struck by the 2001 earthquake have been rebuilt and people have been recovering economically, riot victims in Modasa still live in Relief Camps and face severe economic constraints despite good education standards. An important factor that makes riots so severe in their long-term consequences is that disaster insurance does not cover riot damage, and therefore, normal disaster risk reduction measures cannot serve here to build up resilience. Individual households are not in a position to prevent riots from happening nor can they prepare themselves effectively. This is something that needs to be dealt with at policy level. Here, NGOs can take a leading role in pressurizing official institutions to deal with the impact of riots in the long-term. Such a change of policy could be justified by calculating economic benefits of riot-prevention, particularly given the overall economic losses the State of Gujarat faced as a direct result of the 2002 disaster. The fact that large insurance companies like Munich Re or Swiss Re have entered the micro insurance market should encourage NGOs and policy-makers to look closer at the economic benefits of riot-prevention measures.

Appendix

Questionnaire for CCISB members



ALL INDIA DISASTER MITIGATION INSTITUTE

QUESTIONNAIRE:
Business Practices of CCISB-members



UNIBASEL

Questionnaire for CCISB-members

Date of interview: _____ City/Community: _____ Initials of interviewer: _____

A SOCIAL INFORMATION

A1 Name of the person interviewed: _____ A2 Gender of the person interviewed: 1 female 2 male

A3 Number of adults in the household: _____ A4 Number of children in the household: _____

The following questions are about the household composition. Please circle the correct number.

A5 Household Composition	A6 Age	A7 Education grade completed <i>1 - uneducated; 2 - primary; 3 - middle school; 4 - secondary; 5 - higher education (college, university)</i>
Self		1 2 3 4 5
Husband		1 2 3 4 5
Wife		1 2 3 4 5
Father		1 2 3 4 5
Mother		1 2 3 4 5
Child 1		1 2 3 4 5
Child 2		1 2 3 4 5
Child 3		1 2 3 4 5
Other		1 2 3 4 5
Other		1 2 3 4 5

A8 What type of business do you have?

before joining CCISB

- 1 snack shop
- 2 grocery shop
- 3 garment shop
- 4 vegetable vendor
- 5 electric shop
- 6 carpenter
- 7 daily wage earner
- 8 other, please specify: _____

after joining CCISB

- 1 snack shop
- 2 grocery shop
- 3 garment shop
- 4 vegetable vendor
- 5 electric shop
- 6 carpenter
- 7 daily wage earner
- 8 other, please specify: _____

A9 When did you join CCISB? 1 in 2004 2 in 2005 3 in 2006 4 in 2007 5 in 2008

A10 How did you hear about CCISB? (several answers possible)

- 1 I heard about it through AIDMI
- 2 I heard about it through other business people
- 3 I heard about it through friends/family/relatives
- 4 other, please specify: _____

A11 Why did you decide to join CCISB? (several answers possible)

- 1 I had bad experiences before (business problems, disaster occurrence) and wanted to improve my situation
- 2 it gives me security
- 3 other, please specify: _____

A12 What are the main advantages of CCISB for you? (several answers possible)

- 1 Revolving Fund
- 2 insurance in case of disaster
- 3 business development trainings
- 4 being part of a network/social stability
- 5 learning about Disaster Risk Reduction
- 6 child education
- 7 community infrastructure development
- 8 other, please specify: _____

A13 What are the possible disadvantages of CCISB for you? (several answers possible)

- 1 amounts of Revolving Fund too small 4 help needed with school fees
 2 fee for insurance too high 5 other, please specify: _____
 3 help needed with accessing business materials

A14 Have you intensified the relationship with other CCISB members?

- 1 same as before 2 better relationship than before 3 less relationship than before

B BUSINESS CHARACTERISTICS**B1 Is your business mobile or on a fixed place?**

- 1 mobile 2 fixed place

B2 Do you own the place of your business or do you pay fees/bribes?

- 1 I own it 2 I pay fees/bribes 3 I do not know

B3 Have you expanded the business?

- 1 yes 2 no

B3.1 If yes in B3, specify how you have expanded (i.e. more sq. meters, 2nd lorry):

B4 People contributing to your business*before* joining CCISB

- 1 myself
 2 myself and my wife/husband
 3 myself and my children
 4 myself, my wife/husband and my children
 5 other, please specify: _____

after joining CCISB

- 1 myself
 2 myself and my wife/husband
 3 myself and my children
 4 myself, my wife/husband and my children
 5 other, please specify: _____

B5 What is the peak season for your business?

- 1 no particular peak season 2 winter 3 summer 4 monsoon 5 festivities, such as: _____

C SUPPLY / SALES**C1 How do you purchase your materials?***before* joining CCISB

- 1 in cash 2 on credit 3 both

after joining CCISB

- 1 in cash 2 on credit 3 both

C2 Purchasing how much in cash?*before* joining CCISB

- 1 nothing
 2 up to 25% of the goods
 3 up to 50% of the goods
 4 up to 75% of the goods
 5 all

after joining CCISB

- 1 nothing
 2 up to 25% of the goods
 3 up to 50% of the goods
 4 up to 75% of the goods
 5 all

C3 How much benefit do you get from purchasing in cash?*before* joining CCISB

- 1 no discount 5 > 20%
 2 up to 5% 6 getting credit
 3 up to 10% 7 other benefits, specify:
 4 up to 20%

after joining CCISB

- 1 no discount 5 > 20%
 2 up to 5% 6 getting credit
 3 up to 10% 7 other benefits, specify:
 4 up to 20%

C4 Purchasing from one or from several suppliers?*before* joining CCISB

- 1 one supplier
 2 several suppliers

after joining CCISB

- 1 one supplier
 2 several suppliers

C4.1 If in C4 same answer before and after, did you change the supplier(s) when you joined CCISB?

- 1 yes
 2 no

C5 If you *now* purchase from one supplier, why so? (several answers possible)

- 1 the supplier has everything 6 he gives me credit – if I had cash, I would go elsewhere
 2 he is nearby 7 I have a good relationship with him
 3 he is cheap 8 he has a long-term commitment
 4 he is reliable 9 other, please specify: _____
 5 he is regular

C6 Where is/are your supplier/s (several answers possible)?

- 1 in Ahmedabad 2 in Bhuj 3 in Kheda 4 in Radhanpur 5 in Santalpur 6 other, specify: _____

C7 Purchasing from whom? (several answers possible)*before* joining CCISB

- 1 from a wholesaler 3 self-production
 2 from an intermediary 4 other, please specify: _____

after joining CCISB

- 1 from a wholesaler 3 self-production
 2 from an intermediary 4 other, please specify: _____

C8 Where do you sell your products mostly?

- 1 in Ahmedabad 2 in Bhuj 3 in Kheda 4 in Radhanpur 5 in Santalpur 6 other, specify: _____

D CASH / CREDIT / MONEY CIRCULATION**D1 Taking credits – from where? (several answers possible)***before* joining CCISB

- 1 none
 2 private money lenders
 3 dealers
 4 relatives
 5 bank/financial institute
 6 other, specify: _____

after joining CCISB

- 1 none
 2 private money lenders
 3 dealers
 4 relatives
 5 AIDMI funds, i.e. Revolving Fund
 6 bank/financial institute
 7 other, specify: _____

D2 What is the interest rate for getting credit according to the market?

- 1 < 2% interest 2 2-5% interest 3 6-10% interest 4 > 10 %

D3 What is the duration of credits according to the market?

- 1 daily 2 weekly 3 monthly 4 per year 5 other, specify: _____

D4 How do you increase your credit among dealers?*before* joining CCISB

- 1 I expanded my business (increased income)
 2 I paid back regularly
 3 I paid back faster
 4 I had a good relationship with my creditors
 5 other, specify: _____

after joining CCISB

- 1 I expanded my business (increased income)
 2 I pay back regularly
 3 I pay back faster
 4 I have a good relationship with my creditors
 5 other, specify: _____

D5 What is/was the average total business earning per day?*before* joining CCISB

- 1 no income
 2 1- 50 Rs.
 3 51-100 Rs.
 4 101-200 Rs.
 5 > 200 Rs.
 6 > 300 Rs.
 7 > 400 Rs.
 8 > 500 Rs.

after joining CCISB

- 1 no income
 2 1- 50 Rs.
 3 51-100 Rs.
 4 101-200 Rs.
 5 > 200 Rs.
 6 > 300 Rs.
 7 > 400 Rs.
 8 > 500 Rs.

D6 Average profit per day (earning minus cost)*before* joining CCISB

- 1 no profit
 2 1-100 Rs.
 3 101-150 Rs.
 4 151-200 Rs.
 5 > 201-300 Rs.
 6 > 300 Rs.

after joining CCISB

- 1 no profit
 2 1-100 Rs.
 3 101-150 Rs.
 4 151-200 Rs.
 5 > 201-300 Rs.
 6 > 300 Rs.

E3 What is/was special about your business (USP)? (several answers possible)*before* joining CCISB

- 1 good quality of my products
 2 enough quantities of my products
 3 cleanliness
 4 good behaviour
 5 good service
 6 good location of the business
 7 regularity
 8 other, please specify: _____

after joining CCISB

- 1 good quality of my products
 2 enough quantities of my products
 3 cleanliness
 4 good behaviour
 5 good service
 6 good location of the business
 7 regularity
 8 other, please specify: _____

E4 Investment in / Expenses for quality of life? (several answers possible)*before* joining CCISB

- 1 nothing
 2 child education
 3 entertainment
 4 festivities
 5 savings
 6 social things
 7 other, specify: _____

after joining CCISB

- 1 nothing
 2 child education
 3 entertainment
 4 festivities
 5 savings
 6 social things
 7 other, specify: _____

E4.1 Total expenses per year for quality of life?*before* joining CCISB

- 1 nothing
 2 1-1000 Rs.
 3 1001-3000 Rs.
 4 3001-5000 Rs.
 5 5001-10 00 Rs.
 6 > 10 000 Rs.

after joining CCISB

- 1 nothing
 2 1-1000 Rs.
 3 1001-3000 Rs.
 4 3001-5000 Rs.
 5 5001-10 000 Rs.
 6 > 10 000 Rs.

E5 Is your business successful?

- 1 successful 2 average 3 needs improvement, please specify: _____

E6 How is your situation now, as compared to before joining CCISB?

- 1 much better 2 better 3 same 4 worse

E7 What factors define success of a business? (several answers possible)

- 1 having good business assets 4 having savings
 2 reputation in society 5 regular business
 3 not to pay high interest rates 6 other, specify: _____

E8 How do you define personal success? (several answers possible)

- 1 having a personal house 5 being able to pay social expenses without hesitation
 2 sending the children to school 6 being invited to social events
 3 being able to give loan/credit to someone else 7 individual savings
 4 getting respect/attention 8 other, specify: _____

E9 How has the last disaster affected your business? (several answers possible)

- 1 destruction of infrastructure/loss of business 4 no damage
 2 loss of products 5 other, specify: _____
 3 loss of income

E10 What have you done to reduce the disaster risk for your business? (several answers possible)

- 1 I have not done anything
 2 insurance
 3 improvement of construction/infrastructure
 4 attending disaster risk trainings provided by AIDMI
 5 extra savings to handle disaster occurrence
 6 I would like to do more, but I am not able to
 7 other, please specify: _____

F PERSONAL OPINION

F1 What is your view on CCISB? (free answer) _____

F2 What could be improved about CCISB? (free answer) _____

Thank you for your time!

Questionnaire for non-CCISB members



QUESTIONNAIRE: *Business Practices of non-CCISB members*



Questionnaire for non-CCISB members

Date of interview: _____ City/Community: _____ Initials of interviewer: _____

A SOCIAL INFORMATION

A1 Name of the person interviewed: _____ A2 Gender of the person interviewed: 1 female 2 male

A3 Number of adults in the household: _____ A4 Number of children in the household: _____

The following questions are about the household composition. Please circle the correct number.

A5 Household Composition	A6 Age	A7 Education grade completed 1 - uneducated; 2 - primary; 3 - middle school; 4 - secondary; 5 - higher education (college, university)
Self		1 2 3 4 5
Husband		1 2 3 4 5
Wife		1 2 3 4 5
Father		1 2 3 4 5
Mother		1 2 3 4 5
Child 1		1 2 3 4 5
Child 2		1 2 3 4 5
Child 3		1 2 3 4 5
Other		1 2 3 4 5
Other		1 2 3 4 5

A8 What type of business do you have?

1 snack shop 3 garment shop 5 electric shop 7 daily wage earner
2 grocery shop 4 vegetable vendor 6 carpenter 8 other, please specify: _____

A9 Do you get assistance/relief from outside?

1 yes, please specify: _____ 2 no

B BUSINESS CHARACTERISTICS

B1 Is your business mobile or on a fixed place?

1 mobile 2 fixed place

B2 Do you own the place of your business or do you pay fees/bribes? 1 I own it 2 I pay fees/bribes 3 I do not know

B3 With what would you need help in your business? (several answers possible)

1 financial matters 4 disaster preparedness
2 business development advice 5 other, please specify: _____
3 insurance (i.e. in case of disaster)

B4 Have you expanded the business?

1 yes 2 no

B4.1 If yes in B4, specify how you have expanded (i.e. more sq. meters, 2nd lorry):

B5 People contributing to your business

1 myself 2 myself and my wife/husband 3 myself and my children
4 myself, my wife/husband and my children 5 other, please specify: _____

B6 What is the peak season for your business?

1 no particular peak season 2 winter 3 summer 4 monsoon 5 festivities, such as: _____

C SUPPLY / SALES**C1 How do you purchase your materials?**

- 1 in cash 2 on credit 3 both

C2 Purchasing how much in cash?

- 1 nothing 2 up to 25% of the goods 3 up to 50% of the goods 4 up to 75% of the goods 5 all

C3 How much benefit do you get from purchasing in cash?

- 1 no discount 5 > 20%
 2 up to 5% 6 getting credit
 3 up to 10% 7 other benefits, specify: _____
 4 up to 20%

C4 Purchasing from one or from several suppliers?

- 1 one supplier 2 several suppliers

C4.1 If you purchase from one supplier, why so? (several answers possible)

- 1 the supplier has everything 6 he gives me credit – if I had cash, I would go elsewhere
 2 he is nearby 7 I have a good relationship with him
 3 he is cheap 8 he has a long-term commitment
 4 he is reliable 9 other, please specify: _____
 5 he is regular

C5 Purchasing from whom? (several answers possible)

- 1 from a wholesaler 2 from an intermediary 3 self-production 4 other, specify: _____

C6 Where is/are your supplier/s (several answers possible)?

- 1 in Ahmedabad 2 in Bhuj 3 in Kheda 4 in Radhanpur 5 in Santalpur 6 other, specify: _____

C7 Where do you sell your products mostly?

- 1 in Ahmedabad 2 in Bhuj 3 in Kheda 4 in Radhanpur 5 in Santalpur 6 other, specify: _____

D CASH / CREDIT / MONEY CIRCULATION**D1 From where are you taking credits? (several answers possible)**

- 1 none 4 relatives
 2 private money lenders 5 bank/financial institute
 3 dealers 6 other, please specify: _____

D2 What is the interest rate for getting credit according to the market?

- 1 < 2% interest 2 2-5% interest 3 6-10% interest 4 > 10 %

D3 What is the duration of credits according to the market?

- 1 daily 2 weekly 3 monthly 4 per year 5 documentation necessary 6 other, specify: _____

D4 How do you increase your credit among dealers?

- 1 I expanded my business (increased income) 4 I have a good relationship with my creditors
 2 I pay back regularly 5 other, please specify: _____
 3 I pay back faster

D5 What is the average total business earning per day?

- 1 no income 5 > 200 Rs.
 2 1-50 Rs. 6 > 300 Rs.
 3 51-100 Rs. 7 > 400 Rs.
 4 101-200 Rs. 8 > 500 Rs.

D6 Average profit per day (earning minus cost)

- 1 no profit 4 151-200 Rs.
 2 1-100 Rs. 5 > 200 Rs.
 3 101-150 Rs. 6 > 300 Rs.

D7 Is your family saving in general?1 yes 2 no**D8 Net amount saved per day by the family**1 no savings 4 51-80 Rs.
2 1-20 Rs. 5 81-100 Rs.
3 21-50 Rs. 6 > 100 Rs.**D9 What are the amounts taken on loan? (several answers possible) → if "no loans", go to E1**1 no loans 2 1-1000 Rs. 3 1001-2000 Rs. 4 2001-5000 Rs. 5 > 5000 Rs.**D10 How do you invest the money taken on loan? (several answers possible)**1 infrastructure 8 child education
2 reconstruction after disaster 9 working capital
3 disaster risk reduction measures 10 tools/equipment
4 business expansion 11 raw material
5 social things 12 other, specify: _____
6 health
7 livelihood**D11 What is approximately a monthly increase of profit because of the loan?**1 no increase in profit 2 1-100 Rs. 3 101-200 Rs. 4 201-500 Rs. 5 > 500 Rs.**D12 Where do you get the loans from?**1 private money lenders 2 dealers 3 relatives 4 bank/financial institute 5 other, specify: _____**E STRENGTH OF / THREADS TO THE BUSINESS****E1 Do you have a BPL card?** 1 yes 2 no**E2 Do you have insurance?** 1 yes, specify: _____ 2 no**E3 What is special about your business (USP)? (several answers possible)**1 good quality of my products 2 enough quantities of my products 3 cleanliness 4 good behaviour
5 good service 6 good location of the business 7 regular 8 other, specify: _____**E4 Investment in / expenses for quality of life? (several answers possible)**1 nothing 5 savings
2 child education 6 social things
3 entertainment 7 other, specify:
4 festivities**E4.1 Total expenses per year for quality of life?**1 nothing 5 5001-10 00 Rs.
2 1-1000 Rs. 6 > 10 000 Rs.
3 1001-3000 Rs.
4 3001-5000 Rs.**E5 Is your business successful?**1 successful 2 average 3 needs improvement, please specify: _____**E6 How is your situation?**1 very good 2 good 3 average 4 rather bad**E7 What factors define success of a business? (several answers possible)**1 having good business assets 4 having savings
2 reputation in society 5 regular business
3 not to pay high interest rates 6 other, specify: _____**E8 How do you define personal success? (several answers possible)**1 having a personal house 5 being able to pay social expenses without hesitation
2 sending the children to school 6 being invited to social events
3 being able to give loan/credit to someone else 7 individual savings
4 getting respect/attention 8 other, specify: _____

E9 How has the last disaster affected your business? (several answers possible)

- 1 destruction of infrastructure/loss of business 3 loss of income 5 other, please specify: _____
2 loss of products 4 no damage

E10 What have you done to reduce the disaster risk for your business? (several answers possible)

- 1 nothing 4 learning about disaster risk reduction 7 other, please specify: _____
2 insurance 5 extra savings to handle disaster occurrence
3 improvement of construction/infrastructure 6 I would like to do more, but I am not able to

Thank you for your time!

Evaluation of CCISB

„Whatever you do will be insignificant, but it is important that you do it“ (Mahatma Gandhi)

Evaluation based on NABARD criteria

Tab. A1 presents evaluation criteria used by NABARD to rate NGOs. Following an Anglo-Saxon grading system, points are rewarded for the fulfillment or partial fulfillment of various criteria, with a maximum of 100 points. Thus, an A is 90-100 points, a B is 80-89 points, a C is 70-79 points and a D is 60-69 points. A minimum of 60 points needs to be reached. The number of points attributed to CCISB by the author for each parameter is based on insights gained from working with CCISB over several months.

Tab. A1 Evaluation criteria and rating systems for NGOs applying for assistance to NABARD, applied to CCISB

	Parameters	Marks		Reasons given by the author
		Maximum	Awarded	
1	Formation	5	2	CCISB was founded in 2004.
	More than 10 years old	5		
	5-10 years	3		
	3-5 years	2		
2	Local presence	10	3	CCISB has its office at AIDMI's office in Ahmedabad, however, its main work has been in Kutch so far. The organization has expanded to various other regions where it does not have any office facility.
A	Physical presence	5		
	Agency located in the same area and also predominantly doing its work in the same area	5		
	Agency located elsewhere but has been functioning in the proposed area	3		
	Agency neither located in the proposed area nor functioning area. It is new to the area.	2		
B	Rapport with local agencies like banks, gvt. agencies, private research institutes and other development agencies (depending on the good rapport developed by the NGO with various agencies, marks may be awarded on a scale of 0 to 5).	5	0	CCISB itself has no linkage with banks, governmental agencies or research institutes with the exception of this survey conducted together with University of Basel.
3	Activities involved with	10	3	Currently, there is no cooperation with NABARD although rural development programs NABARD runs could offer ground for CCISB seeking cooperation and funds.
A	Main activity (a maximum of 6 may be given if the agency is actively involved with the activity for which the proposal is now submitted for receipt of grant assistance from NABARD)	6	2	
B	Other activities (a maximum of 4 may be awarded if the agency is also involved with any of the following activities by awarding 1 point for each of such activities)	4	1	
	Economic activities related to the rural non-farming sector			CCISB mainly works with farmers in rural areas which is not the rural non-farming sector. It does not provide backward/forward linkages with banks or other institutions. Its main activity is the Revolving Fund (microcredit). Apart from Bhuj and Ahmedabad, no specific focus on women could be observed. CCISB has no environmental programs and does not run programs regarding social aspects, education or health.
	Providing backward and forward linkages			
	Microcredit			
	Focus on women			
	Environmental programs			
	Social/education/health related activities			

Tab. A1 Evaluation criteria and rating systems for NGOs applying for assistance to NABARD, applied to CCISB (continued)

	Parameters	Marks		Remarks by this author
		Maximum	Awarded	
4	Management of NGO	10	8	CCISB has a governing body that meets at least once a year, but it should meet more often (i.e. every quarter). Most CCISB managers have been involved with AIDMI for many years.
	Existence of regular board/governing body which meets regularly	4	3	
	Professional and experienced persons in the management	3	3	
	Organization structure (existence of proper hierarchy in functioning and proper work allotment among the functionaries)	3	2	Hierarchy is evident, but allotment of functions and work assignments are unclear.
5	Book keeping/accounts	8	4	CCISB's and AIDMI's common trustee is not a trained accountant. Even if accounts are maintained properly, external audits have not taken place. Finances are linked to AIDMI.
	Accounts are properly maintained and audited up to date	8		
	Accounts are properly maintained but audit in arrears by more than 2 years	4		
	Accounts not properly maintained or audited for a long time	0		
6	Financial position of the agency (marks may be awarded for healthy position of assets and liability of the agency, receipts and payments/income and expenditure, surplus available, honoring financial commitments with banks, no frauds or misappropriation of funds etc. on a scale of 0-7).	7	2	CCISB does not have external funds or any resources that would allow the organization to build up its own infrastructure. There is no linkage to external funding sources or banks.
7	Infrastructure of the agency	10	2	CCISB has neither property, nor an own office or vehicle or adequate computer systems. The agency works with AIDMI's 15 year old computers, uses AIDMI's office and vehicles. The infrastructure is inadequate for an NGO that wants to become self-reliant.
	Agency has adequate infrastructure like land, own building, vehicle (if necessary), office infrastructure for carrying out their activities smoothly	8		
	Agency works with some infrastructure	4		
	Infrastructure is inadequate	2		
8	Training/project implementation infrastructure	10	5	CCISB has conducted very few trainings until now. CCISB mostly used AIDMI's or local infrastructure.
Agency has adequate infrastructure for training, like hall/training premises/training aids, training workshop for technical training, other amenities etc. required for conducting the training themselves (depending on the availability of each of these facilities, marks may be awarded on a scale of 8 to 10)	10	0		
Agency does not have the training infrastructure of its own but can arrange the same for the smooth conduct of training (depending on the ability to arrange various support facilities for training, marks may be awarded on a scale of 4 to 7)	7	5		
9	Manpower	10	5	CCISB works with local volunteers and AIDMI staff. CCISB can increase its manpower on a short-term basis for projects by relying on AIDMI. Manpower is insufficient to run specific programs and implement long-term projects. CCISB does not invite external experts to increase knowledge and capacities in fields where own staff is not sufficiently trained. Such experts could be invited from other NGOs also supporting micro entrepreneurs, but having more experience, i.e. SEWA.
	Agency has the required manpower support for implementing projects, including subject matter expert pertaining to the proposed activity (depending on the availability of persons required for the implementation of the project, marks may be awarded on a scale of 8 to 10)	10		
	Agency does not have the required manpower/some of the required persons for implementing the project, but can arrange the same by hiring/appointing from outside (depending on the availability of the agency in arranging the required manpower, marks may be awarded on a scale of 4 to 7).	7		

Tab. A1 Evaluation criteria and rating systems for NGOs applying for assistance to NABARD, applied to CCISB (continued)

	Parameters	Marks		Remarks by this author
		Maximum	Awarded	
10	Past experience	10	4	CCISB has never been associated with NABARD. It has not developed specific programs other than occasional trainings conducted with the support of AIDMI.
	Agency has past experience in organizing similar programs and was associated with NABARD in the past	10		
	Agency has past experience in organizing similar programs and was not associated with NABARD in the past and has approached us for the first time.	8		
	Agency has past experience in organizing programs but not in the same line	4		
11	Monitoring arrangement	5	3	CCISB is being monitored by AIDMI. External monitoring would be helpful. So far, CCISB has not run own programs financed by any institutions or agencies for which application or documentation would have been required.
	Agency has good arrangement for regular monitoring of the project	5		
	Agency has been regular/has a good system for submitting returns as required by the funding agency	2		
12	Operational sustainability of the agency (marks may be awarded based on the perception of the officer regarding the standing of the agency and the possibility of its continuing its work for long without winding up in between on a scale of 0 to 5).	5	2	Without AIDMI's support as to finances, infrastructure, projects and staff, CCISB would not be able to sustain itself.
	Maximum Total Marks	100	43	CCISB's total score according to NABARD evaluation criteria is below a qualifying benchmark of 60.

Source: NABARD documentation provided by U.S. SHEVDE, Oct. 8, 2008

By applying NABARD criteria for an evaluation of CCISB, it becomes apparent that in its current form, CCISB would not be able to apply for funding by governmental institutions. Main deficits according to this specific evaluation are:

- **CCISB's dependence on infrastructure and funds** provided by its sister organization AIDMI, particularly since it is CCISB's objective to become self-reliant and an independent NGO.
- **lack of cooperation** with other institutions
- **lack of programs** and particular focus on one of the following categories:
 - the rural poor
 - focus on women
 - environmental programs
 - social/educational/health related activities.

The last aspect – a lack of involvement in social, educational and health-related activities, has also been a main point of criticism expressed by the interviewed

micro entrepreneurs associated with CCISB. Recurring suggestions made by the interviewed micro entrepreneurs for an improvement of CCISB were that

- CCISB should start covering health costs by providing health insurance in addition to the existing disaster insurance. SEWA, for instance, runs a health micro insurance called “SEWA Vimo” that has proven to be successful.
- CCISB should support its micro entrepreneurs with respect to school fees.

It should be noted that what interviewed micro entrepreneurs intuitively or from their experience sensed to be problematic about CCISB without ever having looked at NABARD government evaluation criteria is exactly what does prove to be problematic when such criteria are applied. If CCISB paid attention to what its own members suggest, it would also be seen in a better light by governmental and international institutions that could provide support and funds.

Evaluation based on selected CPART guidelines

The following figure outlines selected CAPART guidelines NGOs should adhere to if they apply for funds.

Out of 12 CAPART guidelines selected to reflect the twelve main criteria NABARD applies to NGOs with which it cooperates, CCISB only adheres to 3 fully, and to two partially. 50% would be needed to apply for support from the Indian government and its affiliated institutions. The main hindrances CCISB faces regarding self-reliance and qualification as measured by Indian governmental agencies are:

- **Insufficient infrastructure.** CCISB has no financial or physical infrastructure (no own accounts or offices). It is not surprising that the organization does not publish annual reports the way other organizations do.
- **Vague profile.** CCISB needs to sharpen its profile. The organization also works in rural areas, and it also works with women, but it does not address either of these categories specifically. CCISB focus on disaster affected micro entrepreneurs – a focus determined by AIDMI’s influence – hinders the organization from developing a core competency of their own. Disaster affected people are the main emphasis of AIDMI’s efforts. SEWA, in contrast, the major Indian NGO working with micro entrepreneurs, has developed a distinct profile that was its starting point. CCISB still needs to elaborate its core competencies and characteristic profile if it is not to remain just another NGO out of 1.2 million NGOs in India.

Tab. A2 Guidelines for NGOs applying for CAPART funding, applied to CCISB

	CAPART guideline	Adherence by CCISB
1	The NGO should be registered under the Societies Registration Act, 1860 or a State amendment thereof or the Indian Trust Act, 1882 or the Religious and Charitable Institutions Registration Act, 1920.	Yes. CCISB is registered as a Charitable Trust under the 1950 Mumbai Trust Act.
2	The NGO should have a bank or post office account for at least three years preceding the date of filing of application to CAPART for funding.	No. CCISB has no accounts and no Foreign Contributors Account Number.
3	Rural Development should be one of the objectives in the Memorandum of Association of the NGO.	No. CCISB has only recently started to expand its work to rural areas. Its focus is less marked by urban/rural perspectives than be disaster affected people.
4	NGO should be working with beneficiaries in rural areas even if the organization's headquarters is located in an urban area.	Yes. CCISB shares its office with AIDMI in the city of Ahmedabad, but works in rural areas, in several other districts of Gujarat and in different states of India.
5	The area of operation of the NGO must be rural.	Partly. CCISB works in rural areas, but has no explicit focus on rural areas.
6	The organization should be broad based and representative in character. The members of the Executive Body/Managing Committee of the organization should not be related to each other or belong to the same family. There may be maximum two relatives / family members in the Governing / Managing / Executive Committee of the organization, but only one of them could be cosignatory of the bank account operations.	Partly. As to the representation, CCISB only works with disaster affected micro entrepreneurs that have been beneficiaries of AIDMI's Livelihood Relief Fund, which is a limitation in itself (no broad basis). There are no closely related family members in CCISB's governing body.
7	The NGO should not have been put on CAPART's blacklist of organizations to which funding has been cancelled or suspended for acts of omission and commission.	Yes. CCISB has not been blacklisted by CAPART.
8	Annual Report of the NGO for the last 3 years.	No. No annual report of CCISB, if there is any, has been accessible.
9	Audited accounts, receipt and payment account, income and expenditure account and balance sheet along with auditor's certificate and report for the last three years.	No. CCISB does not have own accounts. All finances are channeled through AIDMI.
10	Bank/Post office pass book reflecting the transactions for the last three years.	
11	Certificate from the Bank Manager/Post Master stating that the account is operative for the last three years.	
12	Certificate that the concerned project has not received, is not receiving and will not receive or apply for receiving any funding, either completely or partially, from any other Governmental, non-governmental, international or any other agency, for the same project covering the same beneficiaries.	No. CCISB has not approached CAPART for funds, but is not running specific projects, either.

Source: own résumé and evaluation, based on guidelines found under <http://capart.nic.in/guidelines/index.html>, Sept. 3, 2009

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The majority of India's labor force is self-employed in the unorganized micro enterprise sector. Faced with financial constraints, lack of access to credit and professional advice, such enterprises are vulnerable and susceptible to external shocks and disasters. Knowing how micro enterprises cope after disasters, how they make strategic plans, take credit, invest and save, how they deal with suppliers and customers is important for understanding the potential of this sector and for improving micro development strategies. This study analyzes business and investment strategies of micro enterprises in disaster affected areas of Gujarat, India, using a case study and survey supported approach. Key questions are:

- How do micro enterprises manage their businesses?
- How do they handle credit, savings and investment?
- What are priorities of investment?
- How do micro enterprises overcome and adapt to disasters/external shocks?
- What factors define success or failure of micro enterprises?
- How does the organization in a Chamber of Commerce for micro enterprises affect the business?

Results show that investing in social expenses in order to build up social capital can go to the detriment of financial capital and thus, increases vulnerability. Savings are a main factor of business success as long as they are used for long-term productive investments and not for short-term social expenses which can use up all resources and possibly expose micro entrepreneurs to exploitative credit conditions. However, not formal education but financial literacy would seem to inform individual choices and priorities concerning investment of savings. These choices are what determines whether micro entrepreneurs are able to minimize their vulnerability to structural givens within their sphere of influence. In order to enhance financial literacy, savings and access to micro credit, the connection between social and financial capital should be further explored. Lessons learnt from informal businesses can lead to an adaptation of development strategies assisting micro entrepreneurs in the unorganized informal sector.